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Balancing Bottom Lines and Headlines

By CLIFFORD KRAUSS

St. Petersburg, Fla.

DURING the next year or so, The St. Petersburg Times plans to continue pursuing deeply reported, long-term features about such topics as Florida's property insurance crisis, complex tax issues, public education at all levels, and wildlife and endangered species. It will balance this slate of stories against all the other bread-and-butter issues it covers everyday for its readers: politics, business, sports, community affairs, culture and more.

"We're going to invest the time and energy and the resources in these stories because the question we're always asking ourselves is what matters to our audience," said Stephen Buckley, the managing editor of the newspaper. "And that's the question that really drives our organization: Are we doing work that matters?"

Such ambitions were rare enough in the good old days of gumshoe journalism, when newspapers were cash machines. Now, as more readers and advertisers migrate to the Internet, this kind of enterprise reporting has become harder to find at many papers. And in that context, The St. Petersburg Times is itself an endangered species — an independent, privately owned daily that continues to serve up quality journalism. Many owners of other daily city papers sold them off years ago to try to avoid inheritance taxes. But The St. Petersburg Times was not sold; to guarantee local ownership and independence, its owner, Nelson Poynter, gave it away upon his death in 1978 to a nonprofit educational organization now called the Poynter Institute.

For newspaper publishing — an industry awash in uncertainty as it tries to adapt to the Internet — The St. Petersburg Times offers one possible model for salvaging enterprises that must, as all businesses do, respond to financial reality. In contrast to some other businesses, newspapers also

have to address technological change and economic shifts while carrying out their traditional mission of trying to provide independent, high-quality information and analysis to readers.

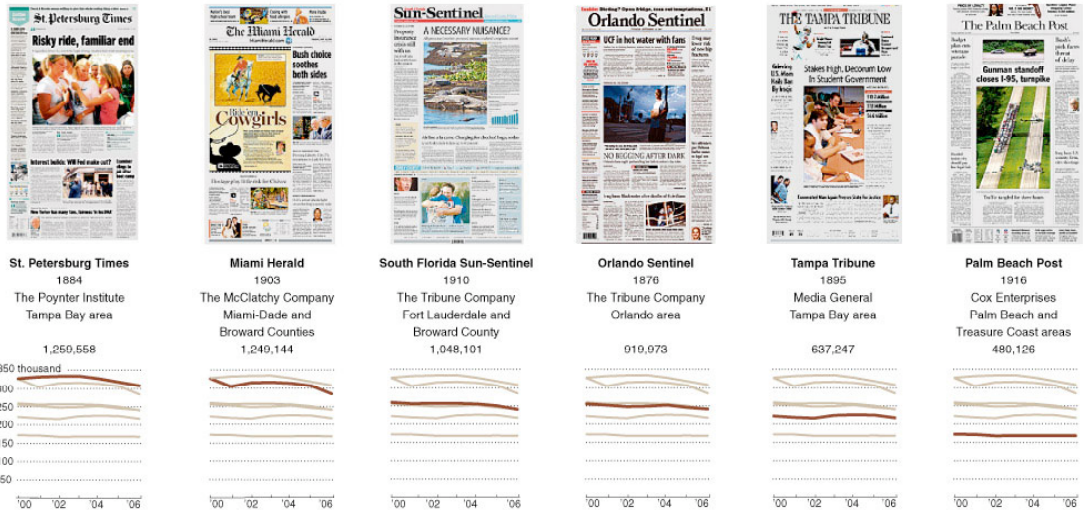


Stephen Buckley, left, the managing editor of The St. Petersburg Times, with Neil Brown, the newspaper's executive editor.

Interest in the St. Petersburg model has grown in the wake of Rupert Murdoch's recent agreement to acquire Dow Jones & Company, the publisher of The Wall Street Journal. That was just the latest in a wave of seismic changes that include plummeting stock prices for publicly owned newspaper companies (including The New York Times Company), the divestiture of the Knight Ridder chain and the cost-cutting that has ravaged newspapers like The Baltimore Sun, The Miami Herald, The Philadelphia Inquirer, The Courier-Journal of Louisville, Ky., and The Los Angeles Times.

Major Florida Newspapers

Florida is one of the most competitive newspaper markets in the country. Here's a look at some of the state's largest-circulation newspapers.



Sources: Audit Bureau of Circulations; Nielsen/NetRatings

BURINA MADAN FOR THE NEW YORK TIMES

“I think the St. Petersburg Times model is wonderful, and I think it would be great if there would be more of them,” said John S. Carroll, a former top editor at The Los Angeles Times, who resigned after resisting staff cuts ordered by its owner, the Tribune Company. “The value of newspapers is dropping so the financial sacrifice necessary to do this is becoming easier, and I think there is a lot of charitable money around, and there are some money people who are concerned about the future of journalism.”

FOR their part, editors at The St. Petersburg Times say Mr. Poynter was a visionary whose act of singular munificence allows their reporters to do painstaking reporting because the paper doesn't answer to outside investors who constantly watch the bottom line. “We don't put out a newspaper to make money,” says Paul C. Tash, the chief executive of the Times Publishing Company, which oversees the paper. “We make money so we can put out a great newspaper.”

Mr. Poynter didn't make all his family members happy by giving away a fortune, but as he said, “I haven't met my great-grandchildren, and I may not like them.” While his legacy allows for patient, long-term investment, The St. Petersburg Times isn't free from the industry's challenges.

The paper doesn't get any money from the Poynter Institute. Just like other private businesses, it pays for its operating expenses, \$90 million this year for payroll alone, from its own revenue, and it pays taxes on its profits. It must also pay the Poynter Institute a yearly dividend, currently about \$6 million, for which it receives no tax benefit. “The Times Publishing Company has no tax advantages related to our ownership,” said Jana Jones, the company's chief financial officer.

What makes the company different from most private companies is that the owner, the Poynter Institute, does not take money out of the company beyond the dividend. Every decision that is made at the newspaper with regard to the use of profits, executives say, is based on the reinvestment needs of the company. No owner or chain is removing that money to invest in another newspaper or another business.

As a result, the paper does not need to push for lush profit margins that exceed 20 percent, a benchmark at some publicly owned newspaper chains. (In fact, its margin is now below its

minimum target of 10 percent, according to the company.) Instead, it can spend money on big investigations and on innovative products that may hurt the bottom line in the short term but may pay off handsomely in the future. In short, the freedom from Wall Street's tyranny gives the paper more room to experiment.

Still, editors at The Times, Florida's most widely circulated paper, say the business environment here is as tough as they have ever seen, especially with the local housing market crashing. And, like other papers, The Times is having to make sacrifices.

But while most other papers are cutting back on their investigative reporting, The Times is increasing it. It has recently published exhaustive investigations of vanishing wetlands and overcrowding at the county jail. It still sends correspondents and photographers on expensive trips abroad to cover the Iraq war and political crises elsewhere, while also expanding coverage of local football games through Webcasts of highlights and reporter commentaries. A winner of six Pulitzer Prizes in its history, the paper has won three Ernie Pyle awards for human interest writing over the last four years and won the Raymond Clapper award for Washington reporting last year.

For other papers to follow The Times's route, they will have to enlist the aid of deep-pocketed financiers with an affinity for information gathering — a very small group. One of those financiers is Eli Broad, the billionaire philanthropist who made a recent, unsuccessful bid for the Tribune Company. "You could create a nonprofit newspaper and have a number of foundations be contributors to the nonprofit," he said, describing a model that is somewhat similar but not identical to that of The St. Petersburg Times.

Current owners of newspapers, however, seem less than enthusiastic about giving away their family jewels. "As altruistic as some families are, to say that you are going to take a very valuable enterprise and give up that value is something that just isn't going to happen," said Frank A. Blethen, whose family controls The Seattle Times.

Others are equally skeptical. "You have to have a private owner somewhere who has been in the business for a long time who decided they didn't have heirs or their heirs are going to get enough anyway," said Brian P. Tierney, who led a group that bought The Philadelphia Inquirer and Philadelphia Daily News last year.

But already, a handful of small newspapers have followed The Times's example, including The Anniston Star in Alabama and The New Hampshire Union Leader. Other newspaper owners have come calling to St. Petersburg, but Mr. Tash says that when he gets to the part about how Mr. Poynter gave the newspaper away, "there is a long pause, and they usually say — sometimes to the great relief of their children — that's not going to work for us."

For all of the insulation The St. Petersburg Times enjoys, it, too, faces financial challenges. As a private company, the Times Publishing Company does not release profit numbers, but Mr. Tash said profits have been falling since 2001.

The daily newspaper's average circulation dropped to 308,256 in 2006 from 334,336 in 2003; Sunday circulation decreased to 406,920 from 420,251 over the same period. But that is a softer decline than those at The Miami Herald and many other big-city dailies. Times managers say they expect single-digit increases this year for both the daily and Sunday editions, primarily because circulation in neighboring Tampa is booming after an intensive marketing effort. There, it faces tough competition from The Tampa Tribune.

Advertising in The St. Petersburg Times is also suffering, with double-digit declines in auto, real estate and employment classifieds over the last year alone. Increased advertising in a new, free tabloid it publishes and on the Web have not made up the difference.

The declines in revenue have brought sacrifices here as everywhere else in the business. The newsroom staff has been cut to about 360 from about 390, mainly by attrition, since January. The size of the paper was narrowed recently to save newsprint. Two pages were taken out of the Saturday business section by eliminating some stock tables. In Citrus County, north of the St. Petersburg area, the paper's bureau has been closed and the local edition has been eliminated. Obituaries beyond seven lines are no longer free. Selling obituaries made the obit pages advertising pages, preserving some space for news that otherwise would have been lost.

"I don't see a eureka moment yet," Mr. Tash conceded. "You have to keep the ball in play long enough until you see how you might win the game."

STAYING in the game also means generating new products that may seem alien to traditional Times readers. The company introduced a tabloid as a sassy, free weekly publication called *tbt** in 2004 and converted it into a daily last year to attract young readers. Management says *tbt** is about to eke out a profit. Now the company is preparing to start a new glossy lifestyle magazine called *Bay*, aimed at its wealthiest readers.

The Times has also been aggressive online, reintroducing its Web site, tampabay.com, last year to attract a regional audience beyond St. Petersburg, and it has started many blogs covering issues as diverse as alternative energy and personal finance. The company reports that the average number of monthly visitors on the Web site has increased from 964,000 in 2005 to 1.3 million last year to 1.4 million in July.

In early August, editors teamed up with Congressional Quarterly to start PolitiFact.com, a sometimes cheeky look at the presidential candidates' claims, promises and attacks; the site has already touched off a buzz far outside of St. Petersburg's pristine marinas.

Staff members were added to the Web and *tbt** operations, even as the paper's staff was cut — a classic effort to take costs out of a declining product line and reinvest a portion of the savings in innovative products that might raise revenue. The investment last year in *tbt** totaled \$6.3 million, an amount the company believes that it will match this year. (The company declined to detail other financial commitments.)

Managers at The Times say most newspapers are cutting costs but not using enough of their savings to innovate because of a short-term strategic horizon that Wall Street enforces. "I think it

is going to be very difficult, even harder, for newspapers that can't look past the quarter or this year to create something that may not help their bottom line in the short term," Mr. Tash said.

But will the efforts to pump up the Web and tabloid journalism really help guarantee quality journalism over the long haul?

For all of the emphasis on new media and amusement, editors here say the heart of the issue is how to deliver the most news to the most people as efficiently as possible in formats that correspond to their needs and tastes. In the end, the combination of sacrifice and new products is supposed to save the newspaper.

The other day, Neil Brown, the executive editor of The St. Petersburg Times, met with Christine Montgomery, managing editor of tampabay.com, and Richard Reeves, vice president for advertising and marketing at The Times, to consider how they might save the \$250,000 it costs annually to deliver copies of The St. Petersburg Times to Tallahassee every day, a service that The Miami Herald and other Florida competitors have already given up. The operation requires two trucks and sells only 350 copies, for a mere \$150 in daily circulation revenue. It looks like a ripe candidate for elimination in these tough times, but the editors do not want to disappoint their loyal Tallahassee readers.

As the three brainstormed, they kicked around various ideas about an electronic state edition with top political and business articles that would be aimed at a Brooks Brothers and Gucci audience in Tallahassee and other Florida cities. The edition could be e-mailed or set up on a separate Web site, possibly replacing the costly delivery operation. Or it could be such a moneymaker that no cost-cutting would be necessary. "There's a 50 percent chance we can do this and keep delivering the papers," Mr. Reeves concluded, to the smiles of the others.

THAT would make reporters like Thomas French happy. He has spent years examining endangered species, alongside other tasks he juggles for The Times. He recently visited a local zoo to witness a 1,000-pound manatee being hauled into a truck so it could be released into the wild — part of a lengthy series on the behavior of animals in zoos and the wild that he plans to get into the paper by the end of the year.

"I don't know of any business plan where this kind of in-depth reporting makes sense, except for one that is built on a long-term goal of excellence," he said. "I don't know how long they'll let me do this."