Billionaire media owners Marc Benioff, Patrick Soon-Shiong and Jeff Bezos (TheWrap/Chris Smith)

PRO

The Age of Billionaire News Ownership Is Waning: Who or What Will Replace Them?

Journalism advocates wonder whether major publications like the Washington Post or L.A. Times could become non-profits and function as a community service

Emily Smith and Sharon Knolle February 6, 2024 @ 6:00 AM

The deep layoffs at The Washington Post late last year eliminating 240 jobs were painful enough. But inside the newsroom staffers have been grumbling deeply about the insult added to injury: Not only did the second richest man in the world decide to cut deep into a celebrated institution, but the buyouts weren't even paid for by owner Jeff Bezos.

They were paid out by the paper's pension fund.

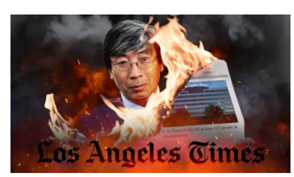
"Are you kidding me?" said one furious staffer. "He's sending rockets into space, he's got a $500 million yacht. Do you have unrealistic business expectations or are you just seeing red ink?"

Billionaires, it turns out, don't like losing money, including Bezos, who lost $100 million last year on the Post.

Similarly draconian cuts at the money-losing Los Angeles Times ($30 million in 2023), owned by billionaire Patrick Soon-Shiong, and at Time magazine, owned by billionaire Marc Benioff, have many concluding that the era of billionaire benevolence for newspapers is ending.

READ NEXT

Chaos, Fury Engulf Los Angeles Times in Historic Cuts to Newsroom



"The rich guy rescue plan rarely works," Jay Rosen, an associate professor of journalism at New York University, said. "The rescuer typically underestimates how hard it is to find money in news and keep quality reasonably high. When that is made clear, a rich guy's commitment starts faltering. And the hedge funds lie in wait."

Investment firms like the rapacious Alden Global Capital — now the second-largest newspaper publisher in the U.S. — are one alternative to billionaires. But a growing number of think tanks and journalism advocates are focused on whether major publications like the Post or L.A. Times could pivot to become non-profits and function as a community service.

"There are large newsrooms who have converted to nonprofits," Sharene Azimi from the Institute for Nonprofit News (INN) told The Wrap, citing the Salt Lake Tribune as an example. "But we haven't seen any of the top 10 news organizations do it."

It's possible for a larger newsroom like the L.A. Times to go the non-profit route, Azimi said, but that would mean the end of billionaire ownership — including for Soon-Shiong. A non-profit doesn't have an owner; it must be set up as a trust, get a board, and incorporate as a 501(c)(3) non-profit.

> *When Bezos agreed to buyouts at the Washington Post it gave all the baby billionaires permission to do the same or more … Billionaires didn't become billionaires by losing money.*
>
> *— Norman Pearlstine, former executive editor of the L.A. Times*

The newspaper assets can be donated to a non-profit. Or an existing or new non-profit could buy the assets of the publication from the for-profit owner. Turning a news outlet into a non-profit would allow for tax breaks and tax-free donations, but the outlet would still have to source advertising to survive.

"Nonprofit news organizations are going to play a bigger role in how audiences find news and connect with their communities," Dan Petty, director of audience strategy at ProPublica, told TheWrap. “But it’s still an uphill climb. There’s a common refrain that being a nonprofit is a tax status, not a business model.”

‘Baby billionaires’ and a controversial daughter

L.A. Times owner Patrick Soon-Shiong (Ted Soqui for TheWrap)

For the moment, Soon-Shiong has insisted he is not interested in selling the paper. Two individuals told TheWrap that he plans to hand leadership of the L.A. Times to his daughter Nika, 30. That would spark its own controversy as Nika Soon-Shiong is a vocal political advocate who has taken positions on high profile matters from L.A. City Council to Israel’s invasion of Gaza in the wake of the Oct. 7 massacre by Hamas.

But with or without his daughter Nika, Soon-Shiong may tire of subsidizing the paper to the tune of tens of millions of dollars annually. He recently said he has invested nearly $1 billion in the Times, including the $500 million he paid to purchase it and the San Diego Union-Tribune from Chicago-based Tronc in 2018.

Soon-Shiong told newsroom leaders ahead of the January layoffs he would invest an additional $100 million into the paper, but after that it had to become profitable, said an individual with knowledge of the conversations.

"It seems that Dr. Patrick, like a lot of billionaires in the media space, feels that he can handle this," an L.A. Times insider told The Wrap. "He has a long history of buying companies and building them up and then later deciding he wants to strip them down.

"I would wonder if there's any journalist in America right now who believes that billionaires are the path forward to saving journalism."

In January, Soon-Shiong dismissed at least 120 staffers, or 20% of the newsroom, after a historic walkout by guild members. Time magazine, owned by Benioff, laid off 30 employees just days after he discussed at the World Economic Forum in Davos how his company Saleforce's AI software could be used to create content.

"When Bezos agreed to buyouts at the Washington Post it gave all the baby billionaires permission to do the same, or more," Norman Pearlstine, the former executive editor of the L.A. Times and vice chairman of Time Inc., told The Wrap. "Billionaires didn't become billionaires by losing money."

Pearlstine, who currently serves on the board of the Committee to Protect Journalists, suggested that billionaires' altruism for saving declining news publications turned out to be more difficult — and expensive — than they imagined. Billionaire media owners believed "that whatever they've been successful at has to be harder than fixing journalism," he said.

And of Soon-Shiong, a bioscientist who invented the cancer drug Abraxane, Pearlstine added: "He once said it had to be easier than curing cancer. At this point, he's less certain."

Washington Post owner Jeff Bezos conducts a "digital ribbon cutting" during the opening ceremony of the newspaper's new Washington, D.C. location on Jan. 28, 2016 (Chip Somodevilla/Getty Images)

The non-profit solution

INN has more than 425 independent, nonpartisan news organizations providing high quality journalism as a public service, including the Texas Tribune, the Center For Collaborative Investigative Journalism , the Connecticut Mirror and Pro Publica, Azimi told The Wrap.

INN's membership has grown rapidly, more than doubling in number since 2017. The total editorial staff is about 4,000 people, more than at Gannett, Reuters or the Associated Press, she said. INN newsrooms are producing 20,000 stories a month for about 7,000 newsrooms. They accept advertising but "where we see the greatest portion of the budget from earned income is at the local level," including ads and business sponsorships. Foundation grants from institutions like The Knight Foundation in Miami are another source of revenues, as are individual contributions, which are tax deductible.

The Salt Lake Tribune converted to non-profit status in 2019. A board of directors governs the paper's operation, with Utah business Paul Huntsman, the previous owner, acting as chairman. In 2016, the Philadelphia Inquirer's owner Gerry Lenfest created a hybrid structure, with a for-profit paper owned by the nonprofit Lenfest Institute. The Tampa Bay Times operates in a similar for-profit way despite being owned by the non-profit Poynter Institute. "So the [L.A. Times] converting is not impossible and might entail some sort of novel, hybrid structure," Azimi said.

In the Post's Washington D.C. newsroom, journalists are openly asking why Bezos wouldn't consider converting it rather than demand that it be a profit center. "People questioned his intentions and it seems The Post is an ego-driven purchase for Bezos, for influence and prestige," the former staffer said.

One suggestion is for Bezos to create a $10 billion annuity for the Post, giving him $500 million a year to run the publication and removing the pressure to focus on layoffs and buyouts.

READ NEXT

With More AI Experiments, News Media Faces an Existential Moment

Laura Castaneda, a professor at USC Annenberg School for Communication and Journalism, was skeptical that large newspapers would adopt a non-profit model. She favors instead funding from state, federal or local budgets.

"A nonprofit might fund a general news publication or one that will cover the environment in a news desert," Castaneda said. "But I don't know if any of them will ever fund the kind of a big, general-market type of newspaper that we grew up with."

She suggested that community investment and philanthropic foundation might be another viable way to keep papers afloat, although she imagined that approach would mostly benefit niche publications "maybe focusing on the environment or business or sports in particular communities."

Similarly, guild leaders have concluded that the billionaire rescue of newspapers has turned out to be not helpful.

“Billionaires aren’t saving America’s newsrooms. Corporate greed and hedge funds are murdering newsrooms across the U.S. and America’s journalists are standing up and fighting back for their communities,” Jon Schleuss, president of The NewsGuild – Communications Workers of America, told TheWrap.

Schleuss noted that in the last month NewsGuild members have gone on strike at 24 publications including the Pittsburgh Post-Gazette, L.A. Times, Allure, Architectural Digest, Vanity Fair, Vogue, San Antonio Report, New York Daily News, Forbes, Chicago Tribune and Orlando Sentinel.

While different models can be successful, “we need immediate policies to provide sustainability that focuses on protecting working journalists,” he added.

Two weeks ago, Schleuss said he wrote to Senate Majority Leader Chuck Schumer asking for hearings about the crisis and calling on him to include unionized journalists job tax credits in the upcoming tax reform package.

“The United States has lost almost two-thirds of its newspaper journalists — 43,000 since 2005,” he wrote. “Local newsrooms from New York to rural South Arkansas are being hollowed out, causing news deserts, communities with little to no local news outlets.”

Some billionaires made it work

John Henry, owner of the Boston Red Sox and The Boston Globe, walks with his wife Linda Henry, who now runs the paper (Drew Angerer/Getty Images)

There are a handful of cases where billionaires have been successful in buying and running city newspapers. But in those cases, they leaned into the business of running them.

The then-struggling Boston Globe was purchased in 2013 by Boston Red Sox owner John Henry for $70 million from The New York Times company. In 2020, Henry named his wife, Linda Pizzuti Henry as the chief executive of Boston Globe Media, who keeps a close hand on the operation.

Today, the average weekday paid subscription is 346,944 and 408,974 on Sundays. The New York Times reported in January that The Boston Globe had "been profitable for years" and the profits had been reinvested into the paper.

In 2014 businessman Glen Taylor, owner of the NBA's Minnesota Timberwolves, bought the Minneapolis Star Tribune. It had previously filed for bankruptcy protection in 2009, but has been profitable for the last 10 years with a peak revenue of $150 million in 2022. It implemented a paywall in 2011 and now has about 100,000 paid digital subscribers.

Sharon Waxman contributed to this article.

Correction: A prior version of this story incorrectly named the Texas Tribune as a prominent outlet that converted to nonprofits. The Texas paper was founded as a nonprofit. We have amended the named newsroom to the Salt Lake Tribune.

READ NEXT
5 Reasons for This Brutal Wave of Media Layoffs

Sharon Knolle

Sharon Knolle is an award-winning TV Reporter at TheWrap. She has covered entertainment news for more than 20 years for outlets including Moviefone, IMDb, USA Today, Variety, Us Weekly, Paste and the Sundance Institute. She can be reached at sharon.knolle@thewrap.com or on Twitter at @sknolle

THEWRAP

WRAP PRO

LEGAL

WRAP MAGAZINE