

# *Economic Impact Report*



## **The Economic & Fiscal Impact on Maine of the State's Newspaper Industry**

**For:**

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## 1. Executive Summary

Maine's newspapers play a critical role in the day-to-day operation of Maine's economy. Their coverage of the news helps maintain an informed citizenry. Their advertising helps maintain the smooth flow of commerce, helping to link thousands of Maine businesses to hundreds of thousands of Maine consumers. Their weather, sports, arts and entertainment features help Maine households safely navigate their days and enjoy their nights. Their want ads help people move their "stuff," and their public service announcements help hundreds of non-profit agencies communicate with their clients in ways otherwise beyond their means.

All of these activities flow from newspapers' journalistic purpose. They are the fourth estate, a critical pillar of our democratic system of government. But newspapers are also businesses. They employ people, make a product and sell into their markets. The purpose of this report is to quantify and describe this often-neglected characteristic of Maine's newspaper business—its economic magnitude and widespread impact.

Maine's newspaper "industry" consists of seven daily papers and approximately 40 less than daily (mostly weekly) papers.<sup>1</sup> Together, these firms:

- Made annual sales in 2010 of over \$154 million;
- Provided jobs for 1,766 people;
- Paid wages and benefits of \$71.3 million;
- Invested nearly \$7 million in new buildings, vehicles and equipment;
- Paid approximately \$7.5 million in state and local taxes.

To put these figures in context, the annual sales of Maine newspapers are:

- approximately equal to the total sales value of Maine's annual potato crop;
- approximately half the value of the total landings of Maine lobster.

In terms of employment, Maine's newspaper industry is approximately the same size as the state's semiconductor industry and somewhat larger than its furniture manufacturing industry.

In addition to this sizeable direct impact, Maine's newspaper industry has a substantial indirect impact across the state. Its spending becomes sales revenue to other Maine businesses and wages to their employees throughout the state. The progressive rounds of spending by the industry's vendors and by newspaper employees and the employees of their vendors create an economic

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<sup>1</sup> See Maine Department of Labor for a listing of firms categorized as newspaper publishers, <http://198.182.162.220/analyzer/session/session.asp?CAT=EMP>.

ripple effect that spreads out from the newspapers themselves to create a much larger total economic impact on Maine.

The newspaper industry's annual operational and investment spending becomes income to local news services, truckers and printers, to maintenance and repair vendors, fuel suppliers, advertising agencies, banks, utility companies, state and local governments and scores of other Maine businesses. These enterprises in turn pay their own vendors thus further extending the economic ripple effects of the Maine newspaper industry. Similarly, the newspaper industry's employees and the employees of all their vendors spend their incomes on groceries, rent, home mortgages, travel, entertainment and a wide range of other consumer goods and services, extending the industry's economic impact further still.

Adding all of the down-stream ripple effects across Maine that flow from the newspaper industry's annual direct impact of \$161 million (\$154 million in sales plus \$7 million in capital investment spending) brings its total economic and fiscal impact to:

- sales for Maine businesses of over \$307 million per year;
- over 3,000 jobs receiving annual wages of over \$142 million; and
- annual payment of \$12.7 million in state and local taxes.

## **The Economic & Fiscal Impacts of the Maine Newspaper Industry**

### *a. direct economic impact*

The most direct way to quantify an industry is to measure its sales, employment, payroll and average annual capital investment. Based on a survey of the seven Maine daily newspapers and an analysis of both the employment and wage data collected by the Maine Department of Labor and the employment and sales data collected by the Bureau of the Census<sup>2</sup>, the direct economic impact of Maine's newspaper industry in 2010 amounted to:

- sales of approximately \$154 million;
- employment of 1,766 workers
- a payroll of approximately \$71 million;
- an investment of approximately \$7 million in building renovation, vehicles, equipment and software, supporting an additional 84 jobs in Maine construction, vehicle and equipment supply businesses; and
- paid nearly \$7 million in state and local taxes and fees.

### *b. indirect economic impact*

While annual sales of over \$150 million and nearly 2,000 jobs represents a major impact on the Maine economy, it is far from the entire story of Maine's newspaper industry. In addition to this sizeable direct impact, the newspaper industry feeds an intricate network of indirect impacts across the state.

Paying its Maine workers and Maine vendors, the newspaper industry provides sales to information services, archives, phone companies, computer services, paper mills, banks, electric utilities, truckers, lawyers, insurance and advertising agencies. These enterprises, in turn, spend some of their sales revenues to buy needed supplies and services from other Maine businesses. The ripple effect of these sales continues in additional rounds of ever more widespread spending and employment that reaches across the state.

At the same time, the newspapers' employees and the employees of all their vendors spend their wages on groceries, rent, home mortgages, travel, entertainment and the other consumer goods and services they buy. This spending becomes sales revenue to hundreds of other Maine businesses. These consumer-oriented businesses pay their vendors and employees, thus spreading

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<sup>2</sup> Maine Department of Labor, <http://www.maine.gov/labor/lmis/qcew.html>, and U.S. Bureau of the Census, <http://www.census.gov/econ/census07/>.

the ripples of the newspaper industry's economic impact still further across Maine.

In addition to their operational expenditures, each year Maine newspapers spend nearly \$7 million on capital investments<sup>3</sup>. They renovate and expand their buildings (or buy new ones), upgrade computer systems, replace furniture and fixtures. A large portion of this capital investment spending turns into sales revenue for other Maine businesses such as equipment suppliers and construction trade contractors. These businesses and their employees, in turn, have their own ripple effects across the Maine economy.

The down-stream supply-chain sales linkages from the operational and investment spending of Maine's newspapers constitute their *indirect impact* on Maine's economy and must be added to their direct impact to understand the industry's *total impact* on Maine's economy.

The consumer-spending linkages flowing from this operational and investment spending constitute the industry's *induced impact* on the Maine economy. This too must be added to the direct impact to understand the full impact of Maine's newspapers on the state's economy.

Attempting to measure all these indirect and induced effects individually would be virtually impossible. Businesses track sales for accounting and management purposes, not for the sake of tracing the flows of their sales to other industrial sectors throughout the economy. Nor are there officially available statistics such as Department of Labor employment data that measure such inter-industry relationships at the local level. Short of exhaustive direct business surveys, there is no direct way to obtain an accurate measurement of these economic "multiplier" effects. The only way to measure an industry's total impact is to use an input-output model explicitly designed to capture those interconnections. For this report, Planning Decisions used the IMPLAN model of the State of Maine.<sup>4</sup>

Table 1 summarizes these economic impacts in a more numerical fashion as they are derived from the IMPLAN model for Maine.

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<sup>3</sup> This figure is based on a survey of four of Maine's largest newspapers and an extrapolation to the rest based on the assumption that investment spending among member firms is proportional to their relative sales.

<sup>4</sup> IMPLAN (IMPact Analysis for PLANing) is a computer based input-output modeling program originally developed by the U.S. Department of Agriculture Forest Service for resource management planning. It contains a mathematical representation of the purchasing patterns that take place between sectors of an economy, both nation-wide and within individual states. IMPLAN files contain all of the industry sales, employment and income data for each of 528 sectors of the Maine economy. IMPLAN uses these data along with national purchasing patterns to create regional models from which local multiplier effects can be determined.

**Table 1: Economic Impact on Maine of the State’s Newspaper Industry**

| Activity        | Sales         | Jobs  | Payroll       |
|-----------------|---------------|-------|---------------|
| Direct Impact   | \$161,300,000 | 1,850 | \$84,400,000  |
| Indirect Impact | \$85,500,000  | 620   | \$29,400,000  |
| Induced Impact  | \$60,300,000  | 690   | \$28,400,000  |
| Total Impact    | \$307,100,000 | 3,160 | \$142,200,000 |
| Multiplier      | 1.9           | 1.7   | 1.7           |

Source: IMPLAN Pro 3.0 operated by Planning Decisions, Inc.

The Maine newspaper industry’s direct spending impact amounts to \$161.3 million – the combination of its sales revenue of \$154.3 million and its annual average investment spending of \$7 million.<sup>5</sup> This newspaper generated economic activity supports 1,850 jobs (1,766 in newspapers and approximately 84 in the construction, equipment and vehicle businesses who fill their investment needs).

Any portion of this \$307 million not spent outside Maine becomes sales revenue to other Maine businesses throughout the state. Progressive rounds of spending by businesses with supply-chain relationships to the newspapers generate an additional \$85.5 million in sales supporting 620 jobs earning nearly \$30 million in income. This constitutes the industry’s indirect impact on the Maine economy. Examples of this indirect impact are over \$33 million in revenue for other Maine information providers such as news bureaus, archives, search portals and news syndicates, over \$4 million for Maine paper mills, over \$2.6 million for telecommunication services, as well as over a million in revenue each for banks, real estate businesses, wholesalers, electric power, insurance firms, technical service providers and management services firms. Progressively smaller indirect sales go to other wholesale businesses, shipping, courier and postal services, business support services, food service and drinking establishments, advertising services, and accounting and other professional services. All of these Maine businesses earn some portion of their annual sales revenue from newspaper spending.

Finally, the spending of the employees of both the newspapers themselves and their indirectly related vendors adds up to sales of over \$60 million going to Maine consumer businesses. This constitutes the newspaper industry’s induced impact on the Maine economy. It supports an additional 690 Maine jobs earning wages of over \$28 million. The largest impacts here are in housing, health care, retail stores, restaurants and utilities.

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<sup>5</sup> Impact numbers are rounded to avoid giving an impression of false precision. IMPLAN results are estimates based on average inter-industry relationships and reported state employment totals for each of 528 sectors.

Adding these impacts together provides a measure of the total economic impact on Maine of the state’s newspaper industry. They are:

- Total sales for Maine businesses of over \$307 million,
- Total employment in Maine of nearly 3,200 jobs,
- Total income for Maine workers of over \$142 million.

*c. fiscal impact*

A third impact of the operations and investments of Maine’s newspaper industry and its indirect and induced economic impacts comes from the tax and fee revenue they generate for state and municipal governments. These revenues derive from three sources:

1. The indirect business taxes (property, sales, fuel, licensing, corporate income etc.) paid to state and local governments by Maine newspapers and by all those businesses linked through their indirect and induced impacts;
2. All of the personal taxes paid by the individuals and households earning incomes from the direct, indirect and induced sales generated by newspaper operations and investments; and
3. Direct fees charged by state and local governments for services provided to these businesses and consumers.

Table 2 lists the taxes and fees that the newspaper industry’s total impact generates for Maine state and local governments. They total nearly \$13 million annually.

**Table 2: State & Local Tax and Fee Revenue Generated by the Operations & Investments of Maine’s Newspapers**

| <b>Category</b>                        | <b>Amount</b>       |
|--|---------------------|
| Income Taxes                           | \$5,040,000         |
| Sales Taxes                            | \$2,850,000         |
| Property Taxes                         | \$2,920,000         |
| Licenses & Other Taxes & Fees          | \$1,910,000         |
| <b>Total State &amp; Local Revenue</b> | <b>\$12,720,000</b> |

Source: IMPLAN Pro 3.0.