

**ECONOMICS OF PUBLISHING: THE  
CHALLENGES CONFRONTING THE THREE  
SABAH ENGLISH NEWSPAPERS**



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**UMS**  
UNIVERSITI MALAYSIA SABAH

**SCHOOL OF SOCIAL SCIENCE  
UNIVERSITI MALAYSIA SABAH  
2013**

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CHALLENGES CONFRONTING THE THREE  
SABAH ENGLISH NEWSPAPERS**

**LOK AUN KHENG (EDDY)**



**UMS**  
UNIVERSITI MALAYSIA SABAH

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UNIVERSITI MALAYSIA SABAH  
2013**

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A handwritten signature in blue ink is written over a horizontal line. The signature is cursive and appears to read 'Lee Kuok Tiung'.

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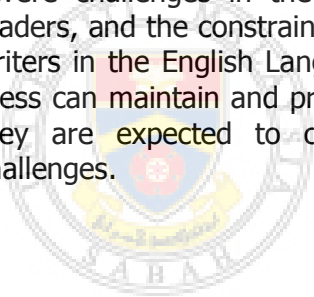
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**Lok Aun Kheng (Eddy)**  
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## ABSTRACT

This study aims to explore the issue of economic sustainability of the local English newspapers namely The Daily Express, The New Sabah Times and The Borneo Post edition in Sabah using Robert Picard's newspaper economics of publishing theories and concepts (1989) as the main theoretical framework. The main focus is to identify the factors that enable the local press to continue to exist in the mediascape which sees intense competition from traditional channels and newer media. Data for this study were collected through in-depth qualitative interviews with key executives and selected veteran journalists who have spent years in journalism, and with the newspapers they are at. The Daily Express, The New Sabah Times and The Borneo Post were selected based on the history and achievements as newspapers with high circulations in the State. The findings of this study revealed local newspapers in Sabah are generally of small scale operations with a limited budget. The accounts balance books which show incomes from sales and advertising can cover the costs of production and operation, and this is a key survival factor of the local newspapers in Sabah. Other factors like the characteristic family structure of newspaper ownership and probable support from political stakeholders play an important role too in sustainability, for local newspaper companies. Nevertheless, the local Press is expected to face more severe challenges in the future based on the decline of the print newspaper readers, and the constraints in terms of news publications such as the lack of good writers in the English Language and general lack of editorial skills. As long as the Press can maintain and provide contents readers seek, find useful and could trust, they are expected to continue to sustain despite changing economics and challenges.



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## **ABSTRAK**

### **EKONOMI PENERBITAN: CABARAN YANG DIHADAPI OLEH TIGA AKHBAR BAHASA INGGERIS SABAH**

*Kajian ini bertujuan meninjau kemampuan ekonomi penerbitan Daily Express, New Sabah Times, Borneo Post di Sabah dengan menggunakan model ekonomi penerbitan Picard (1989) sebagai kerangka teoritikal utama. Fokus utama adalah mengenalpasti faktor-faktor yang membolehkan syarikat akhbar-akhbar tempatan ini terus wujud dalam mediaskap yang menyaksikan persaingan sengit daripada saluran-saluran media tradisional dan baharu. Data untuk kajian ini diperolehi melalui kaedah kualitatif iaitu temu bual mendalam dengan eksekutif utama dan wartawan veteran terpilih yang mana sebahagian mereka telah bersama-sama organisasi akhbar masing-masing dari waktu penubuhan sehingga kini. Akhbar Express Daily, The New Sabah Times dan The Borneo Post dipilih berdasarkan sejarah kewujudannya dan pencapaian mereka sebagai akhbar-akhbar yang mempunyai sirkulasi tertinggi di Sabah. Dapatan kajian ini mendedahkan umumnya akhbar tempatan di Sabah berskala kecil iaitu beroperasi dengan bajet yang terhad. Keseimbangan buku akaun yang mana menyaksikan pemerolehan melalui jualan dan pengiklanan yang mampu menutup kos pengeluaran merupakan faktor utama survival akhbar-akhbar tempatan di Sabah. Faktor akhbar merupakan pemilikan kekeluargaan mahupun terdapat sokongan daripada parti-parti politik berkepentingan memainkan peranan penting kepada syarikat-syarikat akhbar. Begitupun, akhbar-akhbar tempatan ini dijangkakan menghadapi cabaran lebih getir di masa depan berdasarkan kemerosotan pembaca akhbar cetak, dan kekangan-kekangan dari aspek penerbitan berita seperti kekurangan penulis yang bagus dalam Bahasa Inggeris dan kekurangan kemahiran editorial. Selagi akhbar dapat mengekalkan kandungan yang dipercayai oleh pembacanya, akhbar tempatan di Sabah dijangkakan akan dapat terus bertahan.*



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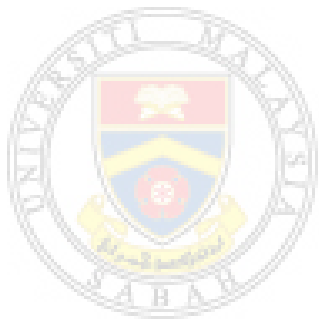
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## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

Newspapers have been a feature of the daily life of people in Sabah. The same goes to newspapers elsewhere. Newspapers have evolved to engage readers socially, economically and politically. They are a source of information and news; act as a public watchdog; guard against official excesses and abuses; while promoting efficiency and accountability in addition to playing a multi-faceted role on education, entertainment, leisure and general affairs of the community they operate in. Local newspapers provide information such community happenings and events, letters to the editor, wedding announcements, births, obituaries and local sports.

Daily newspapers provide a good and myriad mix of news, and carry news that are of interest to a wide range of readers. Some grew up and developed emotional attachments to the newspapers. Looking for a newspaper has become such a life habit. Some newspapers outlive their readers while some readers outlive the newspapers. They are the original mass medium of societies for ages and remain so today, in virtually every land where human beings exist. Most if not all, are essentially businesses, its objectives, roles, functions, ideals and socio-political obligations aside. Newspapers are one of the world's oldest products. Journalism is one of its oldest professions. And, newspaper publishing is one of the longest established industries. Publishing is lucrative somewhat, sometimes, and somehow, in the past and at present. Being lucrative could mean elusive and could prove difficult to achieve. Where the print media exists, it has largely remained 'intact' although within it, it is one of emergence or re-emergence, growth, decline and even demise from time to time.

Despite the current seismic changes in the mediascape due to especially, information technology advances and changing economics, the newspaper

continues to be part of everyday life, but with signs of it weakening and managers of many print media firms now struggling to determine how to respond to the disruptive information and communication technologies (Picard, 2003). There is an equally stubborn refusal at the opposing end to give up on a difficult existence that has weathered through 350 years of endless challenges in many parts of the world. Short term prospects remain fairly good due to habitual use, steady demand for information in newspapers, and continuing attractiveness to advertisers indicates the print media should remain a profitable industry well into the 21st century (Picard, 1997). Press Association Executive Director Felicia Mason adds newspapers provide a recorded history of every community (Harvey, 2009). Questions are asked if readers are ditching the traditional newspaper, if the print media is in trouble and on the decline with myriad difficulties including massive production costs as well as a modern-day world taken over by the Internet, on-line news portals and blogs which affect and change newspaper economics. The biggest challenge for newspapers has been that the public has far more choices for news, information, and diversion than in the past (Picard, 2003). Much of the lighter information carried by newspapers in addition to news coverage, is available in easier to acquire, easier to use, and cheaper forms elsewhere.

In the case of Malaysia, it would appear that in the mid-1990s Malaysians were spoilt for choice, being well-served by the media (Loh, Francis & Mustafa, K. Anuar (1996). The internet has also become one of the most popular vehicles facilitating a variety of communication and information-sharing tasks and its growing popularity has resulted in changes in use of traditional media (Dimmick, Chen & Li, 2009). What makes the internet such an interesting phenomenon in the contemporary history of newspapers is that it is at one and the same time a rival and a medium for is not the first time the 'new media' are challenging the traditional media in a radically altered form (Conboy & Steel, 2008). The internet usage in Malaysia began around 1992, and it has complemented the already-existing mass media, and is next to newspapers as a source of information (Ali Salman, & Mohd Safar Hashim, 2011).



Mainstream newspapers are challenged in many aspects but against all odds including the internet being a major source of news and information, they continue to remain the first important reading material for Malaysians in the morning (Ali Salman, et al., 2011). Also, the traditional newspaper industry faces difficulties and failures in finding new readers, with the costs of production rising and new production technologies not providing significant cost savings (Picard, 2003).

Newspapers deliver the news slower but they may not be the same as the news carried in the electronic media and Internet. Newspapers may be traditionally more reliable, providing depths and details on news and issues. One of the world's best known newspaper publishers Rupert Murdoch says in 'The future of newspapers goes beyond dead trees' that people now are hungrier for information than ever before and readers want what they have always wanted – a source they can trust and that has always been the role of great newspapers in the past and that role will make newspapers great in future (Perez, 2008).

The nostalgic part about newspapers is getting out of the house to retrieve the delivered paper at the gate or doorsteps. The way the news and other sections are bundled and packaged, as a single product, the way the printed paper smells and the sheer experience of reading a morning paper, and be able to bring it to the toilet, coffee table, bus stop or train station, are tell-tale signs it is not exactly headed for its demise yet, even when readers are increasingly offered on demand, interactive, news, entertainment, sport and classified via broadband on their computer screens, television sets, mobile phones and handsets. Old habit dies hard. Even if it is true there is pessimism among print media practitioners and owners, the silver lining is still visible.

A trend towards one-newspaper cities is emerging in the U.S. where it boasts of the most number of newspapers; the number of dailies has declined from 2,202 in 1910 to 1,483 in 2000; and during the same period, the number of ownership entities declined from 2,153 to 436 (Demers & Murrow, 2001). A shrunken June 2009 edition of *The Seattle Times*, published in U.S. offers evidence about the print media, confronted with circulation and advertisement difficulties

and modern-day threats from newer media and communication technologies in some parts of the world. In 2008, publisher Frank Blethen and Times Co President Carolyn Kelly said staff reductions were part of \$15 million in spending cuts, in addition to \$21 million in cuts made earlier. The 112-year-old *Seattle Times* had to adjust to structural industry changes which had reduced advertising revenue. Its main rival *The Seattle Post-Intelligencer* had given up its print edition for a fully on-line newspaper. Newspapers, under pressure by falling readership and declining advertising revenues and the unstoppable challenge from newer alternate media are narrowing the width of their pages because of several reasons, that all come down to one thing – money. Optimism in journalism remains but newspapers would be radically different in future, according to Rich Boehne, the Chief Executive Officer of Rocky Mountain News owner Scripps. Where there is little room to take economic risk, the best chance for survival belongs to the broadsheet, Boehne said in February 2009, in announcing the closure of Rocky Mountain News, adding the newspaper was a victim of a terrible economy and the industry upheaval.

In 1900, 559 cities with a daily newspaper had two or more competing newspapers. Today, only about two dozen cities have competitive papers with the economies of scale being primarily responsible for the declines (Demers *et al*, 2001). Michael R. Fancher in a State of the News Media report, reported that between 2001 and 2009, about 15,000 newspaper journalists across the U.S. lost their jobs, that is, 30 per cent of the industry's total. According to the Newspaper Association of America, 48.5 million newspapers were sold every weekday in 2008, with an additional 49.1 million sold on Sundays. Nearer home in Asia, from Singapore to Kuala Lumpur, Hong Kong, Manila, Bangkok, Jakarta and Sabah and Sarawak, some newspaper companies struggle while others enjoy a profits streak and have not shown any real sign of trouble.

In the case of Sabah, Malaysia's second largest state, rich in natural resources and a multi-ethnic people who love politics, leisure, entertainment and world affairs, and, arguably, they must be interested in newspapers, local dailies are largely family-owned and characteristically small to medium-scale. The great strength of these family-structured companies is the owners' determination to

protect the future of their businesses while at the other extreme are those companies whose senior executives management are lacking in long-term commitment (Sanchez-Taberno, 2008). The virtues of family-owned newspapers – another form of private ownership – have been extolled by some observers but they are not a panacea because they are dependent on the pecuniary and social values of the family and because they face significant internal pressure and risks (Picard, 2004). Family-owned newspapers tend to be aggressive in the investment and development of their firms and have ties to local social and political establishments that may lead to conflicts of interest in news coverage.

History has shown Sabah's media fortunes and politics are inter-related (Patel, 2004). Sabah's readership incidence, however, was found to be low in a 2002-2003 media habits study which covered across market centres, semi-urban and rural areas, and today it is considered relatively low still (Audit Bureau of Circulation, Eastman Report, 2003). According to the latest Audit Bureau of Circulations report on the geographical distribution of the three Sabah English newspapers from January 2012 to June 2012, the total number of copies distributed by The Daily Express was 26,799, The Borneo Post-Sabah edition (22,919) and The New Sabah Times (21,749). The Daily Express had 23,739 copies distributed in Kota Kinabalu; 1,484 copies in Sandakan and 1,576 copies in Tawau while The New Sabah Times had 15,516 copies in Kota Kinabalu; 1,578 copies in Sandakan; 1,703 copies in Tawau, 1,102 copies in Kudat, 94 copies in Labuan; and 1,756 copies in other places. The Borneo Post-Sabah edition saw 14,593 copies distributed in Kota Kinabalu; 2,046 copies in Sandakan; 5,252 copies in Tawau and 1,028 copies in Labuan.

Politically active Sabah is rich in languages, at least three major languages - English, Chinese and Malay. So is its wealth of ethnic dialects, notably KadazanDusun. Sabah is home to a huge number of newspapers, mainly English and Chinese-language dailies, with Malay-language dailies increasingly carving out their own niche. A few publications have come and gone since the pioneering years.

Media developments can be traced back to before Independence in 1963 or British Colonial Period and after Independence or formation of Malaysia (Patel, 2004). In 1883, the British North Borneo Chartered Company published the *British North Borneo Herald* and *Official Gazette* in Kudat, only to shift to Sandakan when the Capital moved there in 1885. The *Gazette* was separated and the publication was renamed *The British North Borneo Herald and Monthly Record*. It stopped publishing in 1941 when Japanese invaded. After the war, a Chinese newspaper emerged, along with an English fortnightly news bulletin and a sport monthly, in addition to radio and television. Another, the *Overseas Chinese Daily News* (OCDN) was published in 1936. It remains a highly successful daily. In 1949, the fortnightly *North Borneo News*, the first English news magazine, began publication in Sandakan. In 1953, *The Sabah Times* emerged in Jesselton (Kota Kinabalu City) when the administrative centre shifted from Sandakan to the West Coast. *The North Borneo News* became a daily, then (Patel, 2004).

Here, an aspect of the economics of publishing as discussed by Picard came into play. The owner of *OCDN* (Yeh Pao Tzu, Tan Sri), a qualified journalist and a successful politician, allowed his printing plant to publish the English daily. The new venture led to *Kinabalu News Bulletin*, with British officials and residents forcing a merger between the two, aware the place was not ready for two publications. A merger took place in 1954 with a new masthead *North Borneo News and Sabah Times*. During that year, the media in Sabah consisted of three newspapers and *Radio Sabah*. In 1960, Sabah witnessed the birth of two Chinese dailies, *Api Siang Pao* in Kota Kinabalu and *Sandakan Jit Pao* (now defunct) in Sandakan, to put an end to the monopoly of *OCDN* (Patel, 2004).

Politics helped play a part in the development, emergence and sustenance of newspapers. In 1961, there was evidence of a *media rush* in North Borneo when then Malayan Prime Minister Tunku Abdul Rahman proposed to have Singapore, Sarawak, Brunei and North Borneo form Malaysia (Patel, 2004). This led to the emergence of another English daily, *The Borneo Times* in Sandakan to counter the political stand of *North Borneo News & Sabah Times*. Two more Chinese dailies were conceived - *Kinabalu Daily News* in Sandakan and *Tawau Jit Pao* in Tawau - to

oppose those bringing about Malaysia. The media frenzy did not stop. In 1963, the English-Language *Daily Express* was born (it is in active circulation today). It backed the Malaysia Concept and opposed Donald Stephens (Tun Fuad Stephens), the owner of *North Borneo News And Sabah Times*, who exerted his pro-Kadazan stand to alienate other ethnic groups from mainstream politics. Fuad was Sabah's first Chief Minister and later Governor. Politicians and media practitioners are ambivalent towards one another, in politics and in publishing. When Malaysia was born, newspapers that were against the idea, shut down, starting off with the *Kinabalu Daily News* in 1963 and *Borneo Times* in 1964 (Patel, 2004). Politics was to remain relevant to publishing. With Sabah in Malaysia, politicians recognized the crucial role of the media and its influence. Intense rivalries between United National Kadazan Organisation and Muslim United Sabah National Organisation, prompted Usno's leader Tun Datu Mustapha Datu Harun to set up his newspaper - English newspapers *Kinabalu Sunday Times* and *Kinabalu Times* in 1965 and 1967 respectively, financed by some individuals who shared his political views. Mustapha had served as the State's first Governor and later Chief Minister. Newspapers helped decide the outcome of the first state election. In 1967, Usno and Sabah Chinese Association formed the State Government only to see Mustapha take control of *Sabah Times* a year later and merged it with *Kinabalu Times*. Thus, was born *Kinabalu Sabah Times*.

Political fortunes of political parties could invariably affect newspaper business. In 1976, *Kinabalu Sabah Times* encountered financial difficulties after Usno was defeated by multi-racial Berjaya. *The Daily Express* which backed Berjaya, saw its fortunes change for the better. When Berjaya's own political demise came in 1985, *Kinabalu Sabah Times*, which was already sold to a cooperative owned by Berjaya, again faced difficulties. It went under receivership in 1993 only to re-emerge on March 8, 1998, as *The New Sabah Times*. The Paper was launched during an economic meltdown, with the first edition front-paging a story about an airline company, Seaga Airlines, calling it a day in Sabah, accompanied by a picture of its signboard being taken down under the headline 'Sign of the times'. It continues publishing with a fairly healthy circulation today. In Sandakan, Chinese Language *Merdeka News* started publication in 1968. While

*Sandakan Jit Poh* is a closed chapter, *Merdeka Daily News*, another Sandakan daily continues publishing today. In Kota Kinabalu, another Chinese daily *Asia Times* emerged in 1976 and it remains in active circulation today. In Tawau, the Chinese-language *Morning Post* was born in 1981. It remains a viable local newspaper.

Newspaper developments never stopped. In 1988, *The Borneo Mail*, yet another Sabah's English newspaper started. It championed the interests of native races but ran into financial difficulties and 'breathed' its last in September 2003. There were justifications for *the Borneo Mail*. It backed the KadazanDusun leadership in Parti Bersatu Sabah's Government from mid-1985-1994. The Paper identified with the largely KadazanDusun community, with sub-ethnic groups like Muruts, Lundayehs, Lotuds, Orang Sungai and Rungus, regarding it as their mouthpiece.

In 1993, Sarawak-based *See Hua Daily News* expanded to Sabah, and its sister English daily, *The Borneo Post*, followed suit in 1994. The broadsheets share editorial contents, production and delivery facilities but with different emphasis and news flavours. The owners saw the potential in Sabah and decided to project a more regional image. *The Borneo Post* was re-launched on December 1, 2008, after it became the State's only full-fledged English Language newspaper, with a re-designed masthead, newer fonts, typefaces and body texts to enhance its appeal and readability. There is only one full-fledged local Bahasa Malaysia newspaper in Sabah - *Utusan Borneo* - which was re-launched on January 2, 2008, after it was separated from *The Borneo Post*, as a 10-page Malay and two-page KadazanDusun incorporated section, a unique feature that characterizes the English newspapers in Sabah. The rationale is simple economics: a necessity due to costs consideration and limited advertising support from Malay and KadazanDusun communities. On its own, a Malay-Kadazandusun Language section is expensive to produce and without advertiser support, it is hard to sustain and therefore, it is incorporated in the English-language section. *Utusan Borneo's* separation was part of product strategy to attract more readers and build up advertising support in the longer run. It continues to incorporate the two-page KadazanDusun Section. *The Daily Express* and *The New Sabah Times* continue publishing incorporated sections of Bahasa

Malaysia and KadazanDusun Language pages. Newspapers are an inexpensive form of entertainment too in once relatively laidback Sabah.

## **1.2 Background**

It is superfluous to say the print media is beleaguered by a host of problems and risks. Uncertainties hover over the traditional medium of delivering the news with changes in market conditions, lifestyles, reading habits, and disruptive media technologies. Because new media and communication technologies provide some substitutability for the functions of the traditional print media they are a threat to newspaper and combined with broadcast media, they are already altering the comfortable situation that print media has enjoyed for many years (Picard, 2003). But the appetite for news remains insatiable. This study is undertaken to understand the factors affecting the well-being and future of print, with changing economics and new delivery mediums adding to the industry's challenges. What is certain is the newspaper market is changing and is interesting to see how publishers respond. Sabah newspapers would need to explain the kind of media they are, why they operate as they do, and find ways to improve their activities. They need an understanding of the economic forces that affect them. Historically, media scholars ignored, or only lightly attended to, the effects of economic forces (Picard, 2008).

The main battleground of Sabah newspapers is in its West Coast which encompasses the growing capital city of Kota Kinabalu where the bulk of newspaper circulation is. Semi-urban spots and smaller towns under the Greater Kota Kinabalu Area include Inanam, Likas, Telipok, Tuaran, Tamparuli, Penampang, Tanjung Aru and Papar where concentrations of newspaper readers are. Others are the northern region of Kudat, Kota Marudu and Ranau and Kundasang while the Interior Region of Beaufort, Sipitang, Sindumin, Tenom and Keningau provide more readership support. Chinese and English newspapers are active in urban and semi-urban areas, particularly in the West Coast, where their editorial offices and printing facilities are. Chinese form the bulk of readers and advertisers in Sabah. *Utusan Borneo*, *The Borneo Post* and *See Hua Daily News* are active in Tawau, Sandakan, Semporna, Lahad Datu and Kinabatangan. They are printed in the new



RM 2 million Lahad Datu plant (old plant was in Tawau), the economics of it being its early availability in East Coast and is cheaper to print the newspapers there than to have them sent over by air or road from Kota Kinabalu which is what rival newspapers are doing. Before, the newspapers hit the streets early in Tawau but were delivered late in Sandakan and Lahad Datu, due to occasional vehicle breakdowns, road hazards, weather conditions and late completion of printing. KTS Group, the owner of *Utusan Borneo*, *The Borneo Post* and *See Hua Daily News*, has four other printing facilities in Kota Kinabalu, Miri, Sibul and Kuching. *Merdeka Daily News* is printed in Sandakan. *The Morning Post* is printed in Tawau. It competes with *OCDN* and *Asia Times*. Peninsular newspapers that compete are *New Straits Times* and *The Star*. Another, *The Sun*, which enjoyed a brief circulation with its first office in Kota Kinabalu, in 1999, considered launching a Sabah edition but the plan fell through. The Brunei-based *Borneo Bulletin* once circulated in Sabah but had ceased circulating. Non-Sabah Chinese dailies are *Sin Chew Daily*, *Nanyang Siang Pau* and *China Press*.

### **1.3 Problem Statement**

With punishing costs and a multi-faceted industry challenge that includes newer competition, new and changing media economics, the three Sabah English newspapers possibly face sustainability, viability and profitability issues. Never has there been much doubt among owners, publishers, editors, journalists and related workers about the printed form, with the industry re-looking at itself with more earnestness today. Like elsewhere where there are newspapers, the Sabah public now has far more choices for news, information and entertainment wants instead of just the local newspapers. With competition, the business of delivering the news and providing information is no longer the monopoly of the local English dailies. News too can be delivered by Peninsular newspapers and through much less costly, faster and convenient mediums and other non-traditional media. Even with a dual product, dual income nature, the local newspapers need to make economic sense of their existence and justify the spending among owners and shareholders as well as minimise competition, have advertising support and produce a readable newspaper as well as have a decent readership. The respective managements would need to deal with their financial strengths and costs and respond to the