Want to read all about it online? It may cost you

Editor's Note: How do you ask consumers to pay for content they're accustomed to getting for free? This is a tough nut to crack. Expect certain groups to propose rules mandating that, in order to "level the playing field," all publications must charge for online access.

(AP) -- With their advertising revenue drying up, newspaper publishers spent much of the spring and summer debating whether to cut off free online access to some of the material they run in their shrinking print editions.

It looks like the talk will turn to action this fall, when some large newspapers are expected to put up Internet toll booths.

They'll be testing readers' willingness to pay for information and entertainment that mostly has been given away online for the past 15 years. That happened largely because most publishers could afford to subsidize their Web sites with profits from their print franchises. But now those profits have crumbled, just as the prices for online ads are tumbling, too.

A recent study by the American Press Institute found 58 percent of the responding newspapers are considering online fees. Of that group, 22 percent expect to introduce the fee before the end of the year. The findings drew upon 118 interviews of newspaper executives in the U.S. and Canada.

The free-to-fee transition likely will occur in tentative steps rather than bold leaps that would lock all online content behind a pay gate. Publishers are taking this cautious approach because they are still trying to devise online payment plans

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that will generate more revenue without alienating too many of their readers.

For instance, the Pittsburgh Post-Gazette, a newspaper with a weekday circulation of about 206,500, recently launched a Web site that includes coverage and commentary on sports, politics and entertainment that isn't in its printed product or free online edition. The service costs $36 annually or $3.99 per month.

Other newspapers that have talked up subscription plans remain reticent. Newsday of Long Island, N.Y., still hasn't rolled out fees for its Web site, even though the newspaper's owner, Cablevision Systems Corp., said it was going to do so this summer. Newsday spokesman Paul Fleishman declined to comment.

The conundrum facing publishers: It's hard to figure out how much, if anything, readers will be willing to pay. Internet search engines and digital communication tools such as Twitter and Facebook ensure people still will be able to find and share plenty of free content.

But running totally free sites hasn't been paying off for most newspapers. Even before the online market began to slump this year, Web ads were generating only a small fraction of the revenue that print ads do. The disparity has made publishers realize they need more ways to make money on the Internet, but few of them have been able to figure out how.

"This is like a four-dimensional chess game. It's really complex," said former newspaper editor Alan Mutter, who is now an industry consultant when he isn't writing "Reflections of a Newsosaur," a free blog.

The Associated Press also has been part of the online fee movement. The not-for-

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profit cooperative, which is owned by newspapers, is setting up a system that will track the usage of its stories. It's a crucial piece of a plan that could improve the AP's ability to run ads next to news stories and perhaps even lead the AP to charge readers to see major scoops or other "premium" content.

"The value of content has to rise," said Tom Curley, the AP's chief executive. "We are all looking how to make that happen."

Even as newspapers mull just how much to commit to charging readers, a competition is already brewing to provide the technology to enable it.

Four of the world's largest technology companies - Google Inc., Microsoft Corp., IBM Corp. and Oracle Corp. - have expressed an interest in developing an online payment system for publishers. Mutter also has been promoting his own approach to Internet fees, a concept he calls ViewPass.

Separately, more than 1,000 newspapers and magazines have signed nonbinding letters of intent to join an Internet fee system being assembled by Journalism Online LLC. It intends to begin collecting money on behalf of publishers before winter.

Backed by former leaders from Court TV and The Wall Street Journal, Journalism Online wants to run the cash register for a digital news smorgasbord. Readers will be able to buy stories from a wide range of participating publishers without having to repeatedly provide their credit card numbers and other personal information at each Web site. The content would be distributed on the Web and electronic reading devices, with each publisher dictating its own terms. As a commission, Journalism Online plans to keep 20 percent of the revenue collected through its system.

Although he isn't jumping on board with Journalism Online, News Corp. Chairman Rupert Murdoch is sold on online fees.

News Corp. already owns the newspaper industry's most successful Internet subscription model in The Wall Street Journal, with more than 1 million customers who pay for online access. The annual rates vary from $103 for an online-only subscription to $140 for a package that includes delivery of the print edition too. Now, Murdoch hopes to make online fees pay off for his other publications, which include the New York Post and The Times of London. Murdoch hasn't provided a timeline or specifics about his plans, however.

The New York Times is considering charging online readers a membership fee, with more details promised in the fall. It's a road the newspaper has been down before, only to reverse course after management concluded that the online subscription it required to read the Times' top columnists was crimping its Internet ad sales. The subscription service, which cost $50 per year, was scrapped in 2007 after a two-year run. It had 221,000 customers when the Times tore down the toll booth.

These days, the printed versions of newspapers are suffering so much that publishers appear determined to find a way to get readers on the Internet and mobile devices to pay something, even if it's just a few bucks per month. The question is mainly which publisher will jump off the sidelines first.

"There's still a lot of `wait-and-see' attitudes out there," said Randy Bennett, senior vice president of business development for the Newspaper Association of America. "I think a lot of publishers would like to see some empirical evidence of what happens to other publishers who dip their toes into the water."

In a worst-case scenario, imposing online fees would drive away so much of a newspaper's Web audience that publishers would lose more in Internet ad sales than they would gain in new revenue.

In a best-case scenario, newspapers charging their online readers would still retain enough of the audience for their Web sites to remain attractive marketing channels. What may be even more important, the fees might make readers more willing to pay for the print editions if the same content isn't on the Web for free, especially if print subscriptions include free or discounted Web access.

Preserving the value of their print franchises is one of the main reasons for publishers to charge for Web access. That's because newspapers still get most of their money from print ads, which accounted for $35 billion of the industry's revenue last year. Newspaper print ads are on pace to fall below $30 billion this year.

Online ads, in contrast, contributed just $3.1 billion in revenue last year. And while that category had been growing until this year, it wasn't fast enough to offset the erosion in print ads. From 2005 through 2008, the industry's annual revenue from print ads dropped by $12.7 billion. Meanwhile, newspapers' annual revenue from online ads increased by just $1 billion.

Journalism Online's co-founder, Steven Brill, believes newspapers can still hold on to most of their online readership by charging for only their best work - information, images and audio unlikely to be found anywhere else on the Web. This presumes publishers will be able to prevent the content from being copied and pasted or even just summarized at other sites, a potentially daunting task.

Some publishers still have no intention to charge for online access because they have concluded online fees are bound to backfire on the newspaper Web sites that adopt them, Mutter said. The American Press Institute study found 44 percent of the respondents don't think Internet fees will provide a significant lift to newspapers' future revenue.

"The guys who hold off (on Internet fees)," Mutter said, "could get a have a huge windfall in new traffic."

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