Tribune future hinges on FCC

The firm's sale would be affected by a vote on media ownership limits.

By Jim Puzzanghera, Los Angeles Times Staff Writer

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WASHINGTON -- Tribune Co. has the most to gain -- and the most to lose -- as the Federal Communications Commission considers a controversial new proposal by its chief to rewrite the rules on where a company can own both a newspaper and a broadcast station.

The proposal made Tuesday by FCC Chairman Kevin J. Martin is to lift a ban on cross-ownership in the country's 20 largest media markets. Right now the three-decade-old ban covers every market.

For Tribune, the Martin plan would be a positive because it would allow the company to keep both The Times and KTLA-TV Channel 5 in Los Angeles and newspaper and TV combinations in three other markets. But it could also complicate an $8.2-billion deal to take Tribune private by the end of the year.

The company probably would have to sell either its newspaper or two TV stations in Hartford, Conn., as well as its Chicago radio station, WGN-AM (720). And it might have to make another sale in Chicago, where it owns WGN-TV Channel 9 and the Chicago Tribune.

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In a memo to employees Tuesday, Tribune Chief Executive Dennis FitzSimons called the regulatory situation "very fluid" and said the company would seek "an expansion" of the relief Martin proposed from the so-called cross-ownership ban.

FitzSimons didn't specify the changes, and other Tribune officials declined to comment.

The company needs the ownership ban lifted -- or special waivers issued -- to close the deal, led by Chicago real estate magnate Sam Zell, to go private. The Zell team wants to do that before the end of the year.

Martin, a Republican, called his proposal a "relatively minor loosening" of the ban after 17 months of agency research and public comment on the matter.
“The newspaper industry has faced significant challenges recently . . . and I think it’s important we do all we can to ensure we still have a vibrant industry,” Martin told reporters Tuesday. He said synergies created by cross-ownership would help financially struggling newspapers and produce more local news.

Martin is pushing for a vote by Dec. 18, and probably has enough support for a partisan 3-2 approval. The rule change would be certain to be challenged in court. Some lawmakers also want to try to halt it.

The Newspaper Assn. of America said Martin's proposal "does not go nearly far enough" and called for "full and complete repeal of this outdated rule."

At the same time, some public-interest groups criticized Martin for going too far and opening the door to too much media concentration. The FCC's two Democrats, Michael J. Copps and Jonathan S. Adelstein, criticized the proposal as so vague and broad that it actually could allow cross-ownership in any market.

"This is portrayed as a moderate proposal, but it is a wolf in sheep's clothing. Don't let the wool be pulled over your eyes," they said in a joint statement, noting that 43% of the U.S. population lives in the top 20 markets.

Copps and Adelstein have loudly complained that Martin was trying to rush a process that had seemed certain to stretch into 2008. A bipartisan group of lawmakers in Congress has also criticized the proposed timetable as rushed and have vowed to try to block it.

Along with many consumer, public-interest and minority groups, the lawmakers have said the FCC first must finish a long-running proceeding studying how broadcasters serve their local communities before it considers allowing more media consolidation.

Sens. Byron L. Dorgan (D-N.D.) and Trent Lott (R-Miss.) have introduced legislation to delay the FCC's consideration of lifting the cross-ownership ban and require at least 90 days for public comment on the plan.

Dorgan on Tuesday called the Martin plan ill-advised and said Martin's continued press to change the rules by Dec. 18 "only adds a greater sense of urgency" to passing the legislation.

Martin said Tuesday that he was circulating among commissioners a final report and recommendations on how to improve broadcasters' local coverage and hoped to have it approved before or at the same time as changes in the cross-ownership rule.

Many newspaper and broadcast companies have pressed for an end to the cross-ownership ban, but Tribune has the most at stake.

Four of the five markets where it owns papers and stations -- Los Angeles, Chicago, New York City and Miami/Fort Lauderdale -- are in the top 20 and would be covered by Martin's revised rule. The fifth, Hartford/New Haven, Conn., would not, and Tribune owns the Hartford Courant and two TV stations there.

"I anticipate the application of this rule would require them to divest Hartford," Martin said.

For a company to own a broadcast TV or radio station along with a newspaper in the 20 largest markets, there still would have to be at least eight major, independently owned media outlets, defined as major newspapers and full-power TV stations. Any TV station involved in such a deal could not be one of the four largest in the market. And a company would be allowed to own only one broadcast outlet in any market in which it also owned a newspaper.
Although Tribune long has advocated lifting the cross-ownership ban, it now prefers temporary waivers because the Dec. 18 vote would be too late to close its deal by year's end. Tribune needs 20 business days to close, and faces financial penalties if that happens after Dec. 31.

FitzSimons said Tuesday that the company hoped to close by the end of the year. He said Martin's "aggressive timetable" for voting on the rule change is "likely to face challenges."

Martin said that his proposal wasn't designed to help Tribune and that he wouldn't consider waiving the ban pending the enactment of a new cross-ownership rule.

He did not rule out temporary waivers lasting a few months.

Copps and Adelstein criticized Martin for holding Tribune's deal "hostage" to create urgency to rush the rule change to a vote by the end of the year.

Although the Democrats probably would vote against waivers for Tribune, Martin probably has the support of the other two Republicans on the commission and could grant them.

"There is simply no excuse for using Tribune as a human shield," Copps and Adelstein said.

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