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Easier Rules May Not Mean More Newspaper-TV Deals

By JACQUES STEINBERG and ANDREW ROSS SORKIN

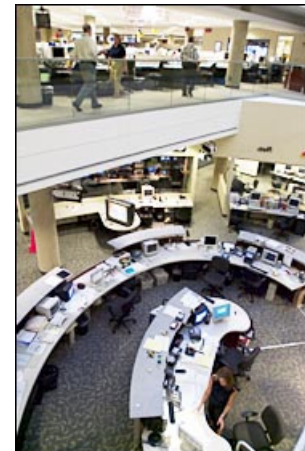
For all the efforts by media companies to persuade the Federal Communications Commission to loosen its restrictions on media consolidation, few are expected to go on immediate spending sprees once the proposed rule changes are enacted, as anticipated, on June 2.

The conventional wisdom has predicted a rash of deals after the commission implements the rules, which include lifting the ban on owning a newspaper and a television station in the same market, as well as relaxing the criteria allowing broadcasters to own two or more local stations.

Under this thinking, newspaper companies would snap up television stations, and companies with deep holdings in broadcast television stations would do likewise with newspapers. And broadcasters would move to buy more stations in their current markets.

But interviews in recent days with senior executives and investment bankers of the media companies indicate that the short-term impact on cross-ownership deals may be far less than some envision.

While [Media General](#) and the [Tribune Company](#) said they intend to pursue such arrangements aggressively, other companies, including Gannett and the [Belo Corporation](#), are expressing more caution. And



Peter Muhly for The New York Times
 Newsroom employees of The Tampa Tribune, WFLA-TV and the Tampa Bay Online Web site, all owned by Media General, work closely together in Tampa, Fla. Media General says it would like to buy TV stations anywhere it owns a newspaper.

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the [News Corporation](#), the [Walt Disney Company](#) and [Viacom](#) are not expected to buy newspapers in markets where they already own stations.

"I don't think there will be an avalanche of deals immediately," said Gary B. Pruitt, chairman and chief executive of the McClatchy Company, which owns 11 daily newspapers, including The Sacramento Bee and The Star Tribune in Minneapolis. "We're not sure empirically it's been proven there are substantial operating advantages or economies of scale."

Some of the speculation of merger mania could be driven by the wishful thinking of bankers and newspaper brokers.

"There is a belief on the part of some people in the financial community that there are tremendous efficiencies and revenue opportunities associated with any cross-ownership," said Robert W. Decherd, chairman and chief executive of Belo, a media company that owns several newspapers, including The Dallas Morning News, as well as WFAA, the ABC affiliate in Dallas. "That is just not correct."

Some media companies already own newspapers and television stations in the same market — the Tribune Company owns The Los Angeles Times and KTLA in Los Angeles; Media General owns The Tampa Tribune and WFLA in Florida — as a result of waivers previously granted by the commission. But conclusive proof that such so-called cross-ownership leads to better financial performance does not yet exist.

The chief financial advantage of such arrangements, at least in theory, is that they enable media companies to cut costs by sharing news-gathering expenses while offering advertisers cross-media deals. But as Belo and other pioneers have learned, some local advertisers — like supermarkets and shopping centers — may not be able to afford to turn a relatively modest print campaign into what could be an expensive television spot, nor do they always see the strategic value of doing so. And when they do, they often demand a sizable discount.

"Advertisers who tend to use newspapers seem to be pretty exclusive from the TV list of advertisers or the radio list of advertisers," said Jon Mandel, co-chief executive officer of MediaCom, the media services company of the Grey Global Group, which buys advertising on behalf of Warner Brothers films and Subway Restaurants. "All of these F.C.C. regulations that all these companies want don't necessarily do anything to increase the companies' revenues."

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Peter Muhly for The New York Times
Ken Knight, center, is coordinator of news coverage for The Tampa Tribune, WFLA-TV and TBO.com, all owned by Media General and operating in Tampa, Fla.

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There is also the matter of economics. Some companies that only own newspapers, like McClatchy, are concerned that television stations are too expensive to buy. And some companies that predominantly own television stations, like Disney, believe the newspaper industry is in decline.

The companies that are operating, or contemplating operating, a newspaper and television station jointly "may indeed crack the code," said Mr. Pruitt of McClatchy. "Until then, we're not going to be leading the charge."

Which is not to say that there are not companies planning to make acquisitions and trades. While most, including Belo, say that they expect some targeted deals in specific markets, Media General of Richmond, Va., has bolder plans.

"Any of the places where we have a newspaper, we'd like to have a TV station," said J. Stewart Bryan III, the chairman and chief executive of Media General, which owns more than four dozen newspapers and television stations, including The Tampa Tribune and that city's WFLA. "Any of the places we have a TV station, we'd like to have a newspaper."

Media General says it would like to buy television stations in the Richmond and Winston-Salem, N.C., areas, where it owns The Richmond Times-Dispatch and The Winston-Salem Journal. The company, which has some of the longest experience with such partnerships — in addition to its holdings in Tampa, it owns at least one television station and newspaper in each of five smaller markets — believes there is money to be made as a result of cross-ownership.

In Tampa, for example, Mr. Bryan estimates that the average annual revenue at The Tribune and WFLA increased about 2 percent, or about \$5 million, in recent years as a result of strategies like dual advertising programs and the cross-promotion of the journalistic offerings of one medium on the other.

The cooperation among Media General's Tampa holdings could be a model of news gathering in the future. The religion editor for The Tampa Tribune doubles as the religion editor for WFLA, for example, and the sports departments of both have been combined. Moreover, the paper's city editor, the station's assignment editor and a top Web site administrator all sit at a universal news desk, where information can be shared.

"We're trying to provide better local journalism which will produce greater numbers of readers, greater numbers of viewers and greater

numbers of users of our Web site," Mr. Bryan said. "If we get greater users, we can raise our ad rates."

Mr. Mandel, the media buyer, said he believes that if there is a financial incentive for combining a newspaper and television station, it is on the journalism side.

"What it is going to do is enable them to cut their costs — their newsroom costs," he said.

And yet, it is not clear that such arrangements, whatever the news-gathering advantage, lead to true savings. Many media outlets, for example, are governed by union contracts that preclude such job-sharing without additional payments. So far at the Tribune and WFAA, no one on the news side has been laid off as a result of these arrangements and, said Mr. Bryan, "the staff is at least as large as it was" before.

"We don't do any of this for saving," said Mr. Bryan. "We do it for increasing revenue."

But the relatively small increase in revenue that Media General ascribes to cross-ownership is not likely to be enough to draw broadcasters like Viacom and Disney into the newspaper business. (Disney actually sold four newspapers, including The Kansas City Star and The Fort Worth Star-Telegram, in 1997, after its acquisition of Capital Cities/ABC.) Instead, analysts and bankers predict, companies like Viacom and Disney, and others, would be more likely to buy additional stations in markets in which they already have holdings or to swap stations, primarily for tax purposes.

"The most practical outcome in the near term is station swapping," said Douglas M. Arthur, an analyst at [Morgan Stanley](#).

Nonetheless, Mr. Arthur said, investors are skeptical that many stations will be bought. "The small TV stocks don't trade like they are on the market," Mr. Arthur said, explaining that the stocks of companies like [Paxson Communications](#) and the [Sinclair Broadcast Group](#) would be higher if they were deemed takeover targets.

Nor is a relaxing of the rules expected to further tempt Rupert Murdoch's News Corporation, whose ownership of the New York Post and WNYW, the Fox affiliate in New York City, is considered an early template of cross ownership.

Last week, Mr. Murdoch told a Congressional hearing that he had no plans to acquire additional stations or newspapers. Mr. Murdoch made those comments in the context of trying to persuade

lawmakers to allow his company to buy control of the nation's largest satellite company, DirecTV, and its parent, Hughes Electronics, from [General Motors](#).



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