

Cross-Ownership Muddies Tribune Sale

By Frank Ahrens
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The [Tribune Co.](#) eyes an uncertain future as it sorts through bids from potential buyers. One thing is clear, however: Any new owner faces numerous regulatory hurdles and is going to spend plenty of time and money in Washington and in court.

The Chicago-based media giant owns 11 television stations and 25 newspapers, some in the same city -- a violation of Federal Communications Commission rules on what it calls "cross-ownership."

Tribune has received FCC waivers that allow it to keep the properties in violation, at least temporarily. But those waivers will not convey to a new owner. And any new owner will face continued waiver challenges from advocacy groups that oppose media consolidation. The first challenge was filed with the FCC yesterday.

Meanwhile, Tribune may be sending mixed signals about its plans, perhaps as a negotiating tool. Reports yesterday said Tribune has told some potential bidders it now is considering breaking up the company and selling it piece by piece, as opposed to selling it as a unit.

But one bidder who wants to buy only the Baltimore Sun said he heard the opposite from Tribune yesterday. "The call was from one of their investment bankers saying they got our correspondence, that the board is aware of our interest and that they are still exploring the big picture," Baltimore businessman Ted Venetoulis said. "They said to sit tight."

Also yesterday, Hollywood entertainment mogul David Geffen, who has expressed interest in buying the Los Angeles Times, sold a Jackson Pollock painting for \$140 million, according to a source with knowledge of the sale. The move excited speculation that Geffen is raising money to make a bid for the Times.

Tribune has been split by a boardroom insurgency. A minority of directors, unhappy with the company's performance, has agitated for a sale or breakup of the company, believing its value will be increased.

Though the company has several big-money properties, the looming regulatory struggles may prove a drag on total company value -- a cost that potential buyers must include when putting a price tag on Tribune.

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"That could be a huge factor," said one veteran Washington communications lawyer who spoke on condition of anonymity because he may work on newspaper deals in the future, though he is not now connected to Tribune or any potential buyer. "It's a real issue."

"Anybody looking to buy the whole [Tribune] package is buying a lot of uncertainty," said Andrew Jay Schwartzman, president of the Media Access Project, an advocacy group that generally opposes media consolidation and filed a petition yesterday to block Tribune's waiver in Los Angeles, where it owns television station KTLA.

Since 1975, the FCC has forbidden the same company from owning a newspaper and a television or radio station in the same city, in the interest of diversity.

Existing situations that violated the new rule were given waivers. One is in Chicago, where Tribune owns the Chicago Tribune and WGN television and radio stations.

But the FCC said that the waivers do not transfer to new owners, a decision that was upheld by the Supreme Court in 1978. That means Tribune's new owners would have to split up the properties in conflict or earn a fresh waiver, which Schwartzman said was "very difficult."

Tribune has similar cross-ownership problems in Los Angeles, where it owns the Times and a television station; in Hartford, where it owns the Courant newspaper and two television stations; in New York, where it owns the newspaper Newsday and a television station; and in South Florida, where it has the Sun-Sentinel newspaper and a Miami TV station.

The FCC has tried to eliminate the cross-ownership prohibition, only to be rebuked by federal courts. The current chairman, Kevin J. Martin, favors some relaxing of the rule, but sentiment at recent public meetings has run strongly against further media consolidation.

Tribune already owned television stations when it bought Times Mirror Inc. -- and its Los Angeles Times -- in 2000, banking on the FCC lifting its cross-ownership rule, which it has not done. The FCC allowed Tribune to own both the Times and KTLA until KTLA's license expired, but it must make an effort to sell either the paper or the station to comply with FCC ownership rules. KTLA's license expires on Dec. 1, and Tribune has applied for a waiver on the cross-ownership ban.

Schwartzman's group has asked the FCC to deny Tribune's request to renew its license to own KTLA under waiver, arguing that Tribune has made no effort to sell KTLA, has no interest in divesting its Los Angeles properties and is holding on to them in hopes that the FCC will lift cross-ownership restrictions.

Schwartzman's group is also planning challenges to Tribune station licenses in Connecticut and New York, which come up for renewal next year, something that a new Tribune owner would have to contend with.

Tribune stock closed down 1.1 percent yesterday at \$32.26 per share. Concerns over the value of Tribune depressed the sector, with many newspaper stocks taking a mild hit.

Staff writer William Booth in Los Angeles contributed to this report.