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LA TIMES EDITOR FIRED – IT'S HARDLY NEWS AS NATIONAL NEWS MEDIA CONTINUES ITS RACE TO THE BOTTOM LINE

By Ron Kenner

We've come a long ways from the days when reporters wore press stickers in their hats as they raced for scoops. Now the dress code is more relaxed and the pressure is not for scoops but for market share. It was more fun in the old days.

LOS ANGELES, Calif., Jan. 23, 2008 -- The latest big "shake-up" in Los Angeles wasn't an earthquake. It was the firing of *Los Angeles Times* editor James O'Shea, the second editor in fourteen months, and the third in three years, to be forced out for resisting budget cuts that would dumb down his newsroom.

Increasing editorial costs for the primary and general elections and upcoming coverage of the Beijing Olympics hasn't helped the newsroom budget, which O'Shea wanted to increase from $120 to $123 million. But the surrounding economic conditions, including a real estate market slump that has cut advertising revenues even as circulation gained, made a confrontation with the *Times*' new ownership and publisher David Hiller inevitable.

No doubt it's easier to fire employees at a distance than it is after you come in and get to know the newsmen and get a sense of the local realities; especially when your role as editor is not solely riveted to the bottom line or abstract business theories.

In his parting remarks in the newsroom, O'Shea said, "I disagree completely with the way that this company allocates resources to its newsrooms, not just here but at Tribune newspapers all around the country."

In the early days, newspaper editors were invariably pictured on the hunt for the latest scoop. Now it's market share and the introduction of marketing executives as editors.

Relations had seemingly been cordial, but a confrontation between publisher Hiller (who had fired the previous editor) and O'Shea also seemed inevitable. O'Shea and a number of *Times* staff members said he was clearly forced out. Hiller (the third publisher for the Times since the takeover by the Tribune Company in 2000) insisted he thought it was by mutual agreement. Owner Sam Zell, meanwhile, emphasized that it was Hiller's decision but that he supported it.

The paper is still making a "healthy profit," according to the report Monday by Richard Perez-Pena in the *New York Times*, despite the downturn in the economy and other problems. The Tribune Co. advertising revenue declined 7% in the third quarter. Print ad revenue at the Times was down 10%, or nearly $80 million. As Perez-Pena added, "Through three quarters last year, the company had an operating profit margin of 16 percent, down from 19 percent the year earlier. But with sharply higher debt service costs because of the takeover, net income fell by more than half, to 4 percent."

Perez-Pena described it aptly. "Mr. O'Shea argued in the [departing] memo that The Times had shown several times — in revising its Sunday magazine, in adding fashion coverage — that it could generate more revenue and higher profit by offering more, not less. 'Even in hard times, wise investment — not retraction — is the long-term answer to the industry's troubles', he wrote, while suggesting that Tribune executives have been unable to see the logic of anything but budget cuts.

"Journalists and not accountants should seize responsibility for the financial health of our newspapers, he [O'Shea] wrote, 'so journalists can make decisions about the size of our staffs and how much news remains in our papers and Web sites."

Hiller, responded, according to Perez-Pena, "Can you solve the newspaper industry's problems by spending more? It's an attractive theory, but it doesn't work."

Almost amusingly, Zell earlier (before the fire sale was completed) had been critical of cost-cutting and the proposed additional cuts at the *Times*. Speaking with great confidence, he suggested then that what was needed was innovation and expansion. But he has also emphasized that he was giving Tribune managers greater autonomy.

O'Shea came in as *Times* editor last November after Jeffrey M. Johnson was fired (after a little more than a year as publisher) for also siding with the newsroom -- same old story -- by refusing to cut newsroom jobs.

Along with Johnson, editor Dean P. Baquet had been fired for the same reason. Baquet had replaced John S. Carroll as editor after he quit for the same reason in 2005. All were well regarded, experienced newsmen.

Now the *Times* is owned by real estate entrepreneur and motorcycle rider Sam Zell, 67, who's acquired the nickname "Grave Dancer" for his willingness to take on business risks. As for risk, Zell managed this acquisition for a pittance of the company's estimated value. The Chicago-born son of Polish Jews who fled before the Nazi invasion, he is a lawyer who founded Equity Office Properties, the largest owner of offices in the United States, which he recently sold to the Blackstone Group for $39 billion.

One *Times* reporter had earlier compared Zell's purchase to a teenager celebrating new independence by maxing out on his credit cards. The *Los Angeles Times* and parent Tribune Co. were valued at $8.2 billion, and Zell pulled off the purchase with a $315 million investment. The company is now owned jointly by him and its employees. So it goes in the newspaper business; many of the problems at the *Times*, including declining advertising and circulation (the *Times* improved readership in the last reporting period, however) and weird new owners are not that unusual.

One odd thing is that instead of firing longtime *Times* newsmen in increasingly colonized Los Angeles — increasingly companies here have *branch offices* now instead of headquarters —the new powers-that-be from Chicago are now firing their own Chicago insiders. O'Shea had been Managing Editor of the company's flagship *Chicago Tribune* for some half-dozen years, and according to some reports, at least, had been a Tribune loyalist.

Jeffrey Johnson, who came to the *Times* in March, 2005, succeeded John Puerner, another Chicago insider, who came into his *Times* job in April 2000 as part of the Tribune Co.'s acquisition.

The shake-up comes barely a month after the official completion of the sale of the *Tribune Company* (including its subsidiary *Los Angeles Times*) to Zell.

Although there had been rumblings and signs of conflict between O'Shea and *Times* publisher David D. Hiller over cost-cutting, O'Shea's sudden departure was unexpected. And despite promises by Zell to look to expansion and not to bottom line cost-cutting, he only waited four weeks until firing the editor.

Los Angeles Times publisher David D. Hiller reportedly had sought a newsroom budget cut of $4 million and staff reductions by the end of this year. In firing O'Shea it was not clear whether Hiller was acting on directions of the Zell or on his own. Zell said in a statement that it was Hiller's decision, but that he supported it. O'Shea reportedly told staffers several months back that he expected to see job cuts by the end of 2008. His was one of them.

The appointment of a new editor was expected soon. One name being mentioned was Russ Stanton, a former business editor at the *Times*. [Stanton later accepted the position].

For those concerned about the mainstream media that have already taken us almost blindly into a costly war in Iraq, or about the persistence of an informed society, it doesn't look good. I'd be remiss if, as a former *Los Angeles Times* metro staffer from its supposed "golden age" in the '60s, I didn't offer at least a few comments on the new ownership of the *Times* and its parent. I say "supposed" because back in the '60s and early '70s the *Los Angeles Times* didn't challenge the powers-that-be on Vietnam any more than the *New York Times* did, at least until the war's problems were an open secret. Or even more than the mainstream press challenged our missteps into Iraq.

Even so, looking at the contrast between spending money to improve the quality of the newspaper back then to bleeding the newspaper dry to improve the "bottom line" now, most would probably argue that it's a downhill turn.

There are real problems that brought on the fire sale to Zell. According to the Newspaper Association of America, print ad revenue in the third quarter of 2007 totaled some $10.2 billion, compared to $773 million online, but online advertising is showing a significant rise while print advs are in a major decline. So far, the shift from family ownership to corporate privatization of newspapers hasn't helped.

As *Times* media writer Tim Rutten noted recently in his final Media column, "... the newspaper industry's recent flirtation with private equity has thus far borne mostly unhappy results. Here in Southern California, important newspapers like the *Orange County Register* (now owned by the Blackstone Group), the *Long Beach Press-Telegram*, the *Los Angeles Daily News*, the *Pasadena Star-News*, and the *San Gabriel Valley Tribune* [all are Dean Singleton properties] have been savagely diminished since falling into their hands."

The *Times* put a happy Sam face on the front page of its Business section when the sale was announced. It shows Zell's arms outstretched above six mug shots and brief bios of new key participants and backers, flanked by subheadings that "New venture will provide TV station management" and "Owner of Vegas paper takes part in Zell's gamble."

In a recent column by Paul Krugman about how the mortgage industry meltdown was helped along by apologists like Alan Greenspan, Krugman was reminded of Emperor Hirohito's comment upon announcing Japan's surrender in 1945: "The war situation has developed not necessarily to Japan's advantage."

It reminded Krugman in turn of Federal Reserve chairman Ben Bernanke's classic understatement: "Market discipline has in some cases broken down, and the incentives to follow prudent lending procedures have, at times, eroded."

Groan. I can't help wondering what either man would say about the Tribune purchase.

In contrast to their careful non-speak, we get the brash-speak of Zell, who makes it all sound easy. After all, it's barely his money he's playing with. Given Zell's non-existent newspaper experience, $13 billion in debt generated by the purchase and interest payments on that amount running a billion dollars a year, along with Zell's new Vegas-cum-tv station style of management, some regard his ownership as risky—but not for him. He risked $315 million of his own money, remember.

In the newspaper trade magazine Editor & Publisher, Mark Fitzgerald ran an article about the new Tribune Company handbook, put out in the spirit of plain language, and pointed out one example of the "Tribune's Core Values," crafted by Randy Michaels, a longtime associate of Zell. The "core values" part, E&P added, "bravely encourages its so-called 'employee owners' to 'question authority'. ... 'Question authority and push back if you do not like the answer. You will earn respect and not get into trouble for asking tough questions. Remember, you are an employee owner. You have the right and obligation to ask questions,'" the handbook advised.

"Even the dullest 'employee owner' at any Tribune property around the nation will see what happened when Jim O'Shea questioned authority, and conclude that asking tough questions and pushing back won't really earn the respect of the boss. It'll just speed your way out the door," Fitzgerald observed.

"O'Shea's graceful parting memo to the newsroom underscores that his firing was not really about whether $4 million—less than 4% of its budget [the amount O'Shea and publisher David Hill differed on]—should be cut from the newsroom, but a vision for getting out of the newspaper industry crisis with a *Los Angeles Times* worthy of its hard-won legacy," he said.

It's especially risky for some 20,000 Tribune employees who now own the $13-billion debt. "But American capitalism being what it is," Rutten noted, "there's always a comfortable way out for the guys at the top."

As Thomas Mulligan in Chicago and James Rainey in Los Angeles reported in a late December *Times* story, new owner Zell said "he planned to end an era of diminished expectations.... I'm sick and tired of listening to everybody talk about and commiserate over the end of newspapers," he said Thursday. "They ain't ended and they're not going to end. I think they have a great future."

So much for Zell's expectations, at least before completion of the sale. Less than a month afterwards, O'Shea found himself essentially forced out for challenging the bottom line. The '60s-era publisher (and racing fanatic) Otis Chandler, who took the paper from a staid grey menace to one of the nation's very finest, would spin out in his grave.

Three other billionaires had earlier tried to gain ownership of the *Times*, Mulligan and Rainey noted— "Eli Broad, Ron Burkle and David Geffen—who said they hoped to return the newspaper to local ownership."

Partners Broad and Burkle complained last spring when Zell became the favored bidder, saying he had special inside information. The protest went nowhere. Looking at the performance of the U.S. media, especially during the Bush Administration, one sees how often we've come to settle for news on the cheap. And we see what it's gotten us—not least, too many unqualified ideological neocon pundits—in place of of reporting with deep research and serious questions.

Newspapers, including the *Los Angeles Times*, may well survive. We'll see. But as Rutten, Bill Moyers and others have observed, the question is how you succeed, and what that says about your integrity. In his final Media column for the *Times*, Rutten complained, "Money has flowed like a fiscal Mississippi into the pockets of investors and fund managers, draining one newspaper and TV station after another of the resources necessary to serve their communities' common good."

I still recall that my own first day of work at the *Los Angeles Times*, when city editor Bill Thomas, after a few introductions and formalities, told me to take the rest of the day off. I was wearing a pair of slacks with a new sports jacket and a white shirt and tie. By contrast, Bill was a handsome, well-dressed guy who always looked like he'd just stepped out of GQ. A nice guy, too. But on that first day, before I left he took another look at me and quietly suggested, "And by the way, wear a suit tomorrow."

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Usually, at least. I'm reminded of a newsman, Dick____, in the third floor editorial offices who was walking around kind of glum one day. He'd been content enough then with his job at the *Times* but finally, after we pried it out of him, he pointed to a postcard on the newsroom bulletin board noting that *The Los Angeles Time*s had just purchased some half dozen newspapers. One of them had been his "ace in the hole," he explained; the paper that had promised he'd always have a job waiting for him. What bothered him most was that the purchase of his "ace in the hole" didn't even merit a postcard of its own.

That was back in the '60s, long before a handful of corporations controlled communications in newspapers, radio and TV stations. And long before the *Tribune Company* in 2000 announced its own purchase of multiple newspapers, radio and TV stations.

But some things are more relaxed now. As Mulligan and Rainey observed in the December 2007 main story on the *Times* purchase, "A new style became immediately evident on day one of the Zell regime. Wearing jeans and an open collar at his first news conference as CEO, Zell looked out at *Times* executives who had dropped their customary neckties."

Looks can be deceiving. Bill Thomas, for all his sartorial style, was a distinguished journalist, as were many others then at the *Times*. Sam Zell may yet turn out to be a decent guy, and even what the *Times* needs. But he's no Bill Thomas, no Tim Rutten, and no James O'Shea.

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