

JOA proposal ignites ongoing controversy

By Bob Wisler
staff writer

April 14, 1986, was a historic day in Detroit. That was the day that Alan Neuharth, then chairman of the board of Gannett newspapers, and Alvah Chapman, chairman of the board of Knight-Ridder newspapers, made the announcement that the owners of the Detroit News and the owners of the Detroit Free Press had worked out an agreement to publish two daily newspapers and one Sunday newspaper under a joint operating agreement.

The war was over. Or so it would seem at first blush. The News and Free Press have been trying to outdo each other for years but the cost in recent years has been awesome. The newspapers say they have lost \$63 million since 1980.

The joint operating agreement, or JOA as it is called, would enable both newspapers to not only survive but show a profit.

THE AGREEMENT was worked out with the expectation that it would be approved by the U.S. Justice Department, which, under 1970 federal legislation, can allow newspapers to be exempt from some provisions of anti-trust laws in order to preserve two newspaper voices in a metropolitan market area.

The most vocal opponents have included Jeanne Trow, publisher of the Royal Oak Tribune, a daily newspaper that has had considerable financial trouble in the past few years; Hilol Levin, executive editor of Metropolitan Detroit magazine; and Kurt Luedtke, a former Free Press executive editor.

Several unions of newspaper employees have asked for hearings on the proposed JOA and the state Senate briefly considered whether it should try to exert some muscle in the situation but decided that it was a federal and not a state government matter.

SOME OF the principal concerns involve whether it really is necessary for the two newspapers to join together at all, whether the cost to employees — less of up to 1,000 jobs — is too high a price to pay, whether the quality of the papers would decline, and whether the government would be helping to create a market situation that would be unfair to suburban and community newspapers and their readers.

Under the proposed JOA, the editorial staffs of the two newspapers

Community papers concerned

Suburban and community newspapers are particularly concerned about the Joint Operating Agreement proposed by the Detroit News and Detroit Free Press.

There is generally a concern that a JOA might use the special status to take unfair advantage of the smaller suburban and community papers.

The new JOA operation, for example, could offer intricate advertising combinations at below-market prices to weaken the smaller local newspapers.

Richard Aginian, president of Suburban Communications Corp., which publishes Observer & Eccentric Newspapers, who just finished a term as president of the national Suburban Newspapers of America trade association, said suburban and community newspapers are in favor of competition and against monopolies and would like to see two independently owned metropolitan newspapers.

"WE HAVE two strong independent metropolitan newspapers now and we'd like to see them continue," Aginian said. "What we have to be concerned about, if a JOA is approved, is how a JOA will operate. An organization which is offered exemption from

anti-trust laws could try to take unfair advantage in the market area.

"We know from experience in Cincinnati where a JOA is in effect that initially the arrangement was not particularly harmful to the smaller suburban papers. The intermediate and long-term effects are not known. Nobody really knows how the JOA would operate in the Detroit area because we don't know the owners would operate in the future."

AGINIAN SAID the Suburban Communications Corp. is in favor of public hearings on the JOA application in order to have the newspaper executives spell out exactly how they would operate.

"Hearings will also allow the opportunity for the public and Justice Department to fully understand what is involved in a JOA. Suburban newspapers want to be assured that JOA-operated newspapers will not take advantage of government-granted monopoly to compete unfairly in an attempt to diminish the role of smaller community papers."

"We have a niche in the Detroit area, by providing an excellent news and advertising services product, which is different than



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— Richard Aginian
president, Suburban
Communications Corp.

the area-wide services offered by a metropolitan newspaper.

"There is a competition for advertising dollars and news, but it is a good and fair competition. What we don't want to see is exemption from the anti-trust laws to produce unfair competition."

AGINIAN SAID the best thing for all parties concerned, including readers in the Detroit area, will be to hold extensive hearings on the proposed JOA to determine if such an arrangement is in the public's best interest and in accord with the intent of those who wrote the legislation allowing JOAs.

would ensure the best newspapers possible.

On the other hand, some critics say that precedent shows that in a JOA market area the quality of at least one paper diminishes. And, they say, the overall editorial quality of both papers is more likely to diminish than improve because the 55-45 and 50-50 profit splits ensure that each newspaper will have the same

"Congress obviously was concerned enough about failing newspapers and the public service that newspapers provide to do something to help those in danger of collapse," he said.

"But Congress did not intend to offer a way for competing newspapers to join together merely because they wished to find an easier way to make money."

"Full and impartial hearings will help determine whether or not the JOA proposed for Detroit is in complete accord with the intent of the JOA legislation," Aginian said. "We don't want to be raising questions about it five years down the road when it is too late."

share in profits no matter how good or bad their respective newspapers become.

An arrangement that would guarantee competition would be one where profits are geared to circulation, for example.

There is a fear especially among editorial employees that, as the newspapers settle into the JOA, there will be less corporate desire to

be competitive and less desire to fill employee openings.

THE NEWSPAPERS could save money, for example, by not giving out-of-town assignments. The hockey writer could sit in front of a TV in Detroit and write about out-of-town games, as was once done at one of the papers. The paper could settle for a wire service report rather than sending a reporter to an event. There are many ways to cut back on costs and coverage.

Luedtke and Levin argue that there is no need for a JOA at all, that the Free Press, which has been designated as a "failing newspaper" in the JOA proposal, is losing money primarily because the management decided to lose money in an attempt to gain circulation in the war with the Detroit News.

Raising the artificially low price of the paper or advertising rates could stem the flow of losses, they contend. The two co-authored an article, which appeared in the Free Press this week, that claims that raising the price of the Free Press from 15 to 20 cents would have pulled in \$8 million last year for the Free Press.

STEPHEN LACY, an assistant professor in the Michigan State University journalism department, who is co-authoring the book "Press Concentration and Monopoly," devoted an article in the recent Crain's Detroit Business magazine to the argument that the Detroit area will not support two major metropolitan newspapers and the area will benefit more from a JOA than it would from a one-newspaper monopoly.

"Detroit will have either a JOA or one newspaper. The only question is which," Lacy wrote. "Unfortunately, JOA newspapers charge monopoly prices, but so do monopoly newspapers. The difference is that monopolies offer no choice between two editorial viewpoints."

Whatever the impetus for stopping the proposed JOA, there is enough precedent to suggest that approval of a JOA would be forthcoming no matter what the opposition.

In 1982, the Seattle Post-Intelligencer filed a request with the Justice Department saying it was a failing newspaper with \$12 million in losses in a decade. It asked for a JOA with the profitable Seattle Times.

Despite the opposition of the Justice Department's own anti-trust division and a coalition of newspaper employees and suburban papers, the JOA was approved.

An administrative law judge said it mattered little whether or not the newspaper could make money under better management, what mattered was the Post-Intelligencer's losses.

would remain separate, each putting out a competing newspaper Monday through Saturday. On Sunday there would be only a combined newspaper.

Each staff would report to a five-member board, three News representatives and two Free Press representatives. The News would take 55 percent of the profits for the first five years and the two papers would

split 50-50 after that.

The business, advertising, circulation and production departments would be combined and this is where the jobs would be lost.

ADVOCATES of a JOA say that there will be no loss of quality in the newspapers since the JOA would allow a competitive situation that

Facts about joint operating agreements

- Currently, there are 21 joint operating agreements. They exist around the country in every region except New England and the Rocky Mountains.
- Four have failed — St. Louis, Columbus, Franklin-Oil City and Chattanooga. (Chattanooga's agreement began in 1942, failed in 1966 and was renewed in 1980.)
- There were 22 joint operating agreements before the Newspapers Preservation Act of 1970.
- Only three cities have entered into

joint newspaper agreements since the inception of the Newspaper Preservation Act of 1970. Detroit might be the fourth, if confirmation by the Justice Department.

• What led to the Preservation Act? A unanimous decision by the Supreme Court in 1969, which said a proposed Tucson, Ariz., joint operating agreement violated anti-trust legislation.

• In the next 15 years, 11 agreements are up for renewal.

- Smallest — Shreveport, La. (25,069 daily circulation).
- Largest — San Francisco (552,979 daily circulation, pending Detroit decision).
- The majority of joint operations are part of newspaper groups. The group with the largest number is Scripps Howard with eight, followed by Gannett with seven. Knight-Ridder has three.
- If Detroit's is approved, it would be the largest JOA in the country.

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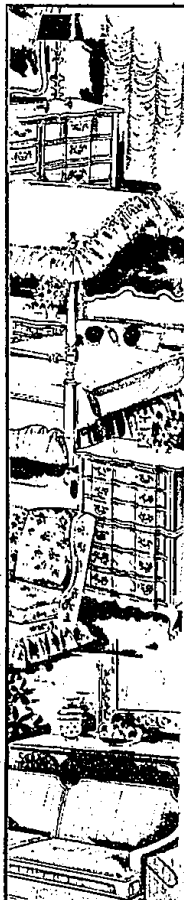
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