Newspapers in America

Slim hopes

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A billionaire makes a surprising investment in the New York Times

IT SAYS a lot about the mood in American business today that an investment by a Mexican tycoon in the *New York Times* is widely regarded as good news. The realisation that beggars cannot be choosers has weakened the usual protectionist impulses, at least in the case of the recent purchase of 6.4% of the Gray Lady by Carlos Slim. Instead of bashing the Mexican telecoms billionaire for buying a piece of a great American institution, there has been relief that such a shrewd businessman is prepared to give a vote of confidence to an ailing firm in a deeply troubled industry.

Mr Slim is not alone in his confidence. Until they were hit by this week's stockmarket plunge, shares in the New York Times Company—which also owns the *Boston Globe,* among other newspapers—had risen by around 20% from their low in July. Perhaps that was due to speculation that a bid for the company was imminent. But there is no evidence that the Ochs-Sulzberger family wants to sell its controlling stake, and it is not riven with the intergenerational conflicts that led the Bancroft family to capitulate to Rupert Murdoch's bid for Dow Jones last year.

As for Mr Slim, his interest in the *New York Times* is said to be that of a passive investor who has seen the opportunity to invest in a great brand at an attractive price. Hence the sighs of relief at the paper's swanky new Manhattan headquarters. Yet is this really the time for investors to return to the American newspaper industry—which in recent years has been almost as good a way to squander money as buying shares in an investment bank?

When the restructuring of the industry caused by the rise of the internet is finally over, the *New York Times* will surely be one of the surviving brands. Yet it may have plenty of pain to go through before then. There are early signs that the decision to give seats on the firm's board to representatives of two activist hedge-funds, Harbinger Capital and Firebrand Partners, has led to a greater focus on cost-cutting. Following recent job cuts, the latest cost-saving wheeze is combining the previously separate business and sports sections to reduce printing costs.

Yet such savings are small compared with the impact of the paper's falling circulation—down 3.9% year-on-year according to the latest figures—and a sharp deterioration in the advertising market as America's economic gloom deepens. Gannett, America's largest newspaper company, highlighted how severe conditions have become when it revealed a 17% year-on-year decline in advertising revenues on September 15th. True, many other papers are in worse shape than the *New York Times*. Its feisty local rival, the *New York Sun*, is reportedly in danger of being closed. And McClatchy, America's third-largest newspaper company, announced a wave of job cuts on September 16th. Its debt is now distressed, and the company is cutting its dividend in half as it tries to stay out of the bankruptcy courts.

Meanwhile Mr Slim's fellow billionaire, Sam Zell, who bought the Tribune group (which owns the *Chicago Tribune* and *Los Angeles Times*, among others) last

year, is firing lots of journalists and trying to raise money by selling assets such as the Tribune building and the Chicago Cubs baseball team, in a market where it is hard to get a good price for anything. Still, Mr Zell is not letting this get him down. Later this month he is throwing a lavish birthday party, with entertainment provided by The Eagles—even though his decision to buy Tribune must now feel a bit like having checked in at the Hotel California.