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Federal judge may weigh in on Citizen

Jilted buyer wants to stop closure action by Gannett

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Arizona Attorney General Terry Goddard filed a lawsuit in U.S. District Court in Tucson late Friday to stop the closure of the Tucson Citizen, which was announced by the Citizen's owners early Friday.

The lawsuit said closing the Citizen stemmed from an agreement between Gannett and Lee Enterprises Inc., owner of the Arizona Daily Star, to eliminate competition and increase profits to both companies.

The case has been assigned to Judge Raner Collins, but Goddard said in a phone interview Friday night that his staff could not reach Collins to "express the urgency of the case."

"Usually there is some district judge to handle emergency motions and we are trying to find one," Goddard said. "But I'm not at all certain we will be able to find one; it is a small panel in Tucson."

Kate Marymont, vice president of news for the Gannett Co. Inc., told Citizen employees Friday that

the last print edition would be Saturday. Gannett will continue to run a "modified" Web site of daily commentary and opinion with a weekly insert of editorial content appearing in the Star, she said.

She said two people accepted positions with www.tucsoncitizen.com but declined to say how many staffers the Web site would eventually hire.

"That's my starting point," Marymont said.

A preliminary job description for those hired showed that the site would focus on the "watercooler buzz" of the day.

Staffers would likely link to other Web sites and blogs, offer an opinion and open the discussion to commenters in an online forum. The site would also incorporate social networking, the document showed.

The staff will be responsible for defining the Web site's form, Marymont said. "I've left it to them."

The recently launched Metromix entertainment hub will continue on a "provisional basis" only, Marymont said.

Gannett's joint operating agreement with Lee Enterprises Inc. also will terminate Saturday, although the two companies will continue as business partners in Tucson Newspapers, a subsidiary that handles all noneditorial operations for both papers. The JOA has been in effect since 1940.

Under the arrangement, Gannett takes the unusual step of partnering with a newspaper publication in which it has no editorial say to retain its profit interest in the operation.

Lee and Gannett will continue to share equally in the operating costs and profits of Tucson Newspapers, also known as TNI Partners, just as they did with the JOA, CEO Mike Jameson said. TNI, though, will no longer receive the limited antitrust immunity offered JOAs under the Newspaper Preservation Act.

The 1970 act gives newspapers operating under a joint operating agreement an exemption from federal antitrust laws in the hopes of increasing editorial diversity in cities and towns.

The announcement brings to a close months of uncertainty for the paper. Gannett announced in January that it was offering the Citizen archives, Internet domain name and lists of subscribers and advertisers to potential buyers, but not its 50 percent share of the JOA. If no buyer came forward, it intended to close the paper March 21.

On March 17, Gannett delayed the closure, saying "viable" buyers had come forward. The paper has operated on a day-to-day basis since.

Marymont informed Citizen employees of the closure at 9:30 a.m. Friday, about 30 minutes after notifying interim Editor Jennifer Boice.

"This is not about the journalism," Marymont said. "Do not in any way take this as a reflection on your journalism. You have done outstanding journalism for decades."

Laid-off employees will receive a week's pay for every year they've worked for the paper up to 26 weeks, with a two-week minimum.

Boice, who has worked at the Citizen for 25 years and was appointed interim editor in July, could not hold back tears when making the announcement

"It's been a difficult time," Boice said. "But it's also been fun. We've had people, even when our time was limited, going all out on stories, doing an incredible job of keeping the newspaper not only going, but good. And I am really grateful to all the people here who have put forth their heart and soul and energy in letting us go out with our head held high."

Goddard was informed of the Citizen's pending closure when Stephen Hadland, CEO of the Santa Monica Media Co. and the final bidder in the sale, wrote a letter Friday morning asking Goddard to intervene.

"The Tucson Citizen has been systematically destroyed by its owners and I believe it remains a viable and popular newspaper in the community," he wrote.

Goddard said Hadland's request was compelling, especially after he spoke with Gannett representatives.

"Their lawyer was unable to tell me how the proposed Web site would serve Tucson as a separate editorial voice," Goddard said. "We took action because there was nothing in front of us that indicated any commitment to a vigorous continuing presence for the Citizen in some form."

Reached Friday at his Santa Monica office, Hadland said, "We were, we are and we remain a bona fide buyer. We made a substantial cash offer; we later amended the offer to close to half a million dollars and were told that nothing less than \$800,000 would be acceptable."

In addition, Hadland said, he was "amazed" that Gannett was shutting the printed paper and going to an online-only operation because during negotiations, "a printed edition was an absolute requirement of Gannett's."

"This is the biggest perversion of the Newspaper Preservation Act that I have ever witnessed," said Hadland, who publishes five weekly papers in the Los Angeles area.

Goddard said the arrangement between Gannett and Lee did not, in his mind, "meet either the spirit or the intent of the (antitrust) exemption" granted through the federal act.

The U.S. Justice Department began an investigation into the sale of the Citizen in February, when potential buyers told Justice representatives they were being told by Gannett's sales broker that the Citizen wasn't a good deal because Gannett wasn't selling its interest in the JOA.

Marymont confirmed discussions with Justice were ongoing for the past month, but would not say Justice insisted on having a Web site instead of completely closing the Citizen's presence in Tucson.

She said Gannett had not determined the length of commitment to the new Web site, and that there "is no legal document" saying the site has to remain operational for a certain time.

"In our conversations with the Justice Department, it was agreed that it was important we sustain a second voice in the community," Marymont said.

Justice Department spokeswoman Gina Talamona said Friday that Justice "closed its investigation today and no enforcement action was taken." She would give no further details.

National media experts had predicted the paper would never sell because, without the JOA, the Citizen was all loss and no profit.

Thus the paper appeared poised to be another casualty of a newspaper industry struggling to survive amid declining advertising revenue and Internet competition.

But the Citizen defied the odds, at least for a while, because of the federal investigation.

At least five people expressed interest in buying the Citizen. All decided against bidding when they couldn't persuade Gannett to include the JOA in the sale.

The Citizen was started in 1870 as a weekly, the Arizona Citizen, preceding Arizona's statehood. Its reporters were on the front lines covering everything from the raids of Pancho Villa to the first university-led space mission.

In its last two months, the paper reported on its own predicted demise.

"A newspaper doesn't close, it dies, and the death leaves a hole in the community," said Boice.

Judge may weigh in on print edition of Tucson Citizen

Continued from 2A

Other troubled newspapers

- Hearst Corp. printed the last edition of Seattle's oldest newspaper, the Seattle Post-Intelligencer, on March 16, turning it into an Internet-only news outlet with 20 staff members, down from more than 150.
- E.W. Scripps Co. in February closed the 150-year-old Rocky Mountain News, one of two daily newspapers in Denver.
- Employees of the San Francisco Chronicle were told in February to prepare for closure or massive layoffs.
- The Los Angeles Times, the Chicago Tribune and The Philadelphia Inquirer sought Chapter 11

bankruptcy protection in recent months.

- The Ann Arbor News announced in April it will close in July. In its place, the Web-based media company AnnArbor.com LLC will be launched, publishing continuously online and a print edition twice a week. About 272 employees remain at the News, and experts estimate that will fall to fewer than 50 for the Web venture.

Caption: Art Rotstein of The Associated Press and the Citizen's Renée Schafer Horton question Gannett spokeswoman Kate Marymont (far right) about the closing of the Tucson Citizen and the extension of the newspaper's Web site.

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