

Broadcasting Jun 11

Vol. 96 No. 24

TOP OF THE WEEK

FCC clears biggest deal ever

Gannett-Combined Communications merger is approved on same day that Shamrock purchase of Starr and Mutual buy of WCFL are OK's

For two hours on Thursday, six FCC commissioners discussed and argued among themselves and with staff the proposed merger of Combined Communications Corp., a major broadcast group, into Gannett Co., a major newspaper group. By 4:30 p.m., approval was given, on a vote of 5-1. And by 5:30 p.m. in Gannett's Washington offices, reporters who had been invited to hear the news were told the deal had been consummated.

"We have completed the closing on the merger between Gannett and Combined," said Allen H. Neuharth, chairman and president of Gannett, with Carl Eller, Combined's president at his side. "We're one company."

The transaction, in which Combined receives \$370 million in Gannett stock, results in a company that owns 80 daily newspapers; (two of them formerly owned by Combined); seven television stations; six AM's and six FM's; outdoor advertising in the U.S. and Canada, as well as weekly newspapers, Canadian newsprint interests, a news service and Louis Harris & Associates.

It was the largest merger in broadcast history. However, waiting in line for approval is the merger of Cox Broadcasting into General Electric in a deal valued at upwards of a half-billion dollars.

The Gannett-Combined combination was not the only major transaction approved by the commission on Thursday. Another was the merger of Starr Broadcasting Group, into Shamrock Broadcasting, owned by the family of Roy E. Disney, in a transaction valued at \$21.6 million. The Starr stations are KXLR(AM) North Little Rock, Ark.; KABL-AM-FM Oakland-San Francisco; WBOK(AM) New Orleans; KYOK(AM) Houston; KUDL-FM Kansas City, Kan.; WWWW(FM) Detroit; KMGC(FM) Dallas; WTVQ-TV Lexington, Ky.; KITV(TV) Honolulu; KHVO(TV) Hilo and KMAU-TV (formerly KMVI-TV), Maui, both Hawaii.

The third involved Mutual Broadcasting System's purchase of WCFL(AM) Chicago



Neuharth and Eller



Henry

from the Chicago Federation of Labor for \$12 million. The station is the first owned by Mutual in its 45-year history, and Mutual is only the second owner of the 50 kw station, which is 53 years old.

Neuharth and Eller were not the only principals involved in the closing activities at Gannett's offices last week. Another was Ragan Henry, the black broadcaster who is the controlling stockholder of BENI Broadcasting of Rochester Inc., which acquired Gannett's only broadcast property, WHEC-TV Rochester, N.Y., which was spun off from the merger for \$27 million. Thus WHEC-TV becomes the first major market, network-affiliated (CBS) station to be owned by a minority group. The commission granted a tax certificate in connection with the sale, since it helps advance two policies—diversification of media ownership (it breaks up a newspaper-television crossownership) and encouragement of minority ownership of broadcast properties.

The commission's approval of the Gannett-Combined merger never seemed in serious doubt during the long afternoon. But there were some bumps along the way.

There was, initially, Commissioner Abbott Washburn's surprising and, as Commissioner Robert E. Lee later described it, "eloquent" statement expressing concern about the merger as "another spur toward the placing of the organs of information and news and opinion in this country in fewer and fewer hands . . ."

The "ever-growing concentration of communications voices runs counter to

fundamental values and processes we hold dear in America," he added. "Our FCC rules and policies are right in fostering diversity of voices, diversity of ownership—the precise opposite of what is proposed here."

His was the lone dissent; Commissioner Joseph Fogarty was absent.

There were also waivers to consider.

Commission policy ostensibly requires an applicant seeking to acquire more than three stations (or more than two VHF) in the top 50 markets to make a "compelling public interest showing" of the resulting benefits that would outweigh the detrimental loss of diversity of ownership in those markets. (The policy has never barred a sale). Combined owned four VHF's in the top 50 markets—KBTV(TV) Denver, KTAR-TV Phoenix, KOCO-TV Oklahoma City and WXIA-TV Atlanta. It also owned a major-market UHF—WLKY-TV Louisville. The other television stations are KARK-TV Little Rock, Ark. and WPTA(TV) Roanoke, Ind.

The commission cited as "compelling" factors the breakup of newspaper-broadcasting and television-radio holdings, extensive competition from other local media, lack of other market domination or of geographic concentration by the applicant, and commitments to minority groups. The sale of WHEC-TV to the Henry group was also considered a plus.

Then, too, there was the trafficking rule, designed to prevent licensees from profiteering from the purchase and sale of stations and requiring hearings when sta-