

Macro Issues

1. Fox News leans to the political right. Many said they believed the initial reports because they coincided with Fox's political ideology. Critique this statement.
2. Less than two months after the event, the head of CNN resigned. Is a mistake of this sort a resigning offense?
3. How do you think the website crash of the Supreme Court itself influenced these events, if at all? Do you think the Supreme Court itself bears some responsibility for the inaccurate reporting?
4. Contrast the conflicting values of speed, profit, and accuracy in this case. Using ethical theory, construct a policy for your local television station on the reporting of breaking news that accounts for all three—speed, profit, and accuracy.

CASE 7-G

CROSSING THE LINE? THE *LOS ANGELES TIMES* AND THE STAPLES AFFAIR

PHILIP PATTERSON AND MEREDITH BRADFORD

Oklahoma Christian University

The *Los Angeles Times*, in a "special report" on Dec. 20, 1999, called attention to an event its editors perceived as a breach of journalism ethics. The multistory report was entitled "Crossing the Line." What made this report extraordinary is that it was the *Times* itself that had crossed the line that triggered this journalistic exposé.

A few weeks earlier, the Staples Center, a \$400 million sports and entertainment arena in downtown Los Angeles, had opened to great fanfare. Most observers shared the hope that the facility, which would house two basketball franchises and one hockey team, would spark a revitalization of downtown. Staples Inc. had won the naming rights to the arena by paying \$116 million.

Tim Lieweke, president of the Staples Center, left with \$284 million more to raise, had initiated talks with McDonald's, Anheuser-Busch, United Airlines, Bank of America, and others to become "founding partners." He was eager to have the *Los Angeles Times* as a founding partner because of previous joint successes and because he thought the paper could contribute value beyond cash.

The Staples arena already had a promotional arrangement with the *Los Angeles Times* in exchange for cash payments from the *Times* and

free advertising in the paper. "The arrangement is similar to that many big-city papers have with their local professional sports teams," said David Shaw, the *Los Angeles Times* Pulitzer Prize-winning media critic, in an investigative piece on the controversy (Shaw 1999). "But for the Staples Center, Lieweke wanted more. He wanted the *Times* as a founding partner."

Since the Staples Center could be a major contributor to the revitalization of downtown Los Angeles, *Times* executives were "eager to participate," Shaw said. The price for founding partners ranged from \$2 million to \$3 million per year for five years. Jeffrey S. Klein, the then-senior vice president of the *Times*, who supervised early negotiations on the Staples deal, "didn't think it was worth what they were asking." Negotiations stalled for several months in 1998 until a "Founding Partner Agreement" was accepted on Dec. 17, 1998, between the L.A. Arena Company and the *Los Angeles Times*. Part of the language in the agreement stated the two companies "agree to cooperate in the development and implementation of joint revenue opportunities."

"Although all of the principals in the negotiations say that the precise terms of the Staples deal are confidential," Shaw reported, "information from a variety of sources shows that in effect the *Times* agreed to pay Staples Center about \$1.6 million a year for five years—\$800,000 of that in cash, \$500,000 in profits and an estimated \$300,000 in profits from what Lieweke had called 'ideas that would generate revenue for us.'"

This latter part of the deal was clarified in a clause of the final contract that said, in part, that the *Times* and the L.A. Arena Company would agree to cooperate in the development and implementation of joint revenue opportunities such as a special section in the *Los Angeles Times* in connection with the opening of the arena, or a jointly published commemorative yearbook, Shaw said.

These "joint opportunities" were to create \$300,000 of net revenue for each party annually. According to the contract, these opportunities would be subject to the mutual agreement of both parties.

On Oct. 10, 1999, the *Times* published a special 168-page issue of its Sunday magazine dedicated to the new Staples Center sports and entertainment arena.

Only after the section was published did most of the paper's journalists learn that the *Times* had split the advertising profits from the magazine with the Staples Center. Feeling that the arrangement constituted a conflict of interest and a violation of the journalistic principle of editorial independence, more than 300 *Times* reporters and editors signed a petition demanding that publisher Kathryn Downing apologize and

undertake a thorough review of all other financial relationships that may compromise the *Times'* editorial heritage.

The petition, in part, stated "As journalists at the *L.A. Times*, we are appalled by the paper entering into hidden financial partnerships with the subjects we are writing about. The editorial credibility of the *Times* has been fundamentally undermined."

Less than two years before the episode, Downing had been named publisher by Mark Willes, the new chief executive of Times Mirror Corporation, parent company of the *Los Angeles Times*, despite having no newsroom background. Her previous experience had been as a legal publicist. Willes had moved from General Mills to Times Mirror in 1995. Willes had made no secret of his desire to "blow up the wall between business and editorial" (Rieder 1999). He was also on record as telling *American Journalism Review* in 1997 that "[the] notion that you have to be in journalism 30 years to understand what's important, I find rather quaint" (Rieder 1999).

Downing did apologize, calling it a "major, major mistake." After taking questions at a two-hour staff meeting on Oct. 28, she admitted that she and her staff "failed to understand the ethics involved" (Booth 1999). Downing meanwhile canceled all future revenue-sharing deals with Staples, promised to review all contracts with advertisers, and ordered up awareness training for the ad side.

For his part, Willes seemed to reverse his earlier stance when he said, "This is exactly the consequence of having people in the publisher's job who don't have experience in newspapers" (Rieder 1999).

On the business side of the paper, the arrangement was widely known and discussed openly for most of 1999. Downing says she deliberately withheld the information from Michael Parks, the paper's editor, but did not direct her subordinates on the business side not to talk about it to him or to anyone else in editorial, according to several reports.

Shaw reports that Willes argued that the absence of such discussion only shows the need for "more communications, not less. . . . The profit-sharing deal happened not because the wall came down," Willes says, "but because people didn't talk to one another when they should have."

In an interesting argument, Downing claimed that if the editorial side of the paper did not know about the profit-sharing deal with the Staples Center before printing, then the Sunday magazine devoted to the Staples Center would be unbiased. The uninformed editorial staff would have no reason to be biased.

Many critics from inside and outside the newspaper agree with Shaw that "readers have no reason to trust anything the *Times* wrote about

Staples Center, or any of its tenants or attractions, anywhere in the paper, now or in the future, if the *Times* and Staples Center were business partners.” He adds that readers will wonder whether other improper arrangements, formal or informal, might also exist or be created in the future with other entities, agencies, and individuals covered by the *Times*.

Whether connected to the Staples affair or not, massive changes were in store for Willes, Downing, Parks, and the *Times*. The newspaper was bought by the Tribune Company, publisher of the *Chicago Tribune*, in March 2000. All three employees were gone within a year.

Micro Issues

1. Critique Willes’ early and late statements about journalistic experience in newspaper management positions.
2. Is the actual loss of credibility as disastrous as the reporters felt, or does the public really have the same sensibilities as those in the profession?
3. How does entering into the contract with the Staples Center differ from the sports department accepting press passes for the events held in the arena?

Midrange Issues

1. If one acknowledges that “the wall” is good and necessary, how does that affect media engaged in advocacy journalism?
2. Shaw entitled his article “Journalism Is a Very Different Business.” In what ways do you think journalism differs from other businesses?

Macro Issues

1. In the new information age, where so many competing views can be found on most issues, is “the wall” still relevant?
2. When a newspaper is a publicly traded company, do the loyalties of the paper shift from the public to the shareholders? If not, how can you justify a move that might be counterproductive to profits?