Arkansas Democrat Project

Interview with

Walter Hussman, Jr.
Little Rock, Arkansas
30 June 2004

Interviewer: Roy Reed

Roy Reed: This is Walter Hussman and Roy Reed, and it's June 30th, I believe, Walter.

Walter Hussman: Right.

RR: 2004. Let me start by making sure that we have your permission to put this interview in the archives of the Arkansas Center for Oral and Visual History Project at the University of Arkansas, Fayetteville?

WH: Yes.

RR: Good. Walter, start out with a little personal information if you will. You were born in 1947. I had the impression that you were not born in Arkansas, but somewhere else, and came back. Is that right?

WH: No, I was born in Texarkana, Arkansas.

RR: Oh.

WH: Yes. My parents were living in Texarkana at the time. My dad was working at the *Texarkana Gazette* there. That's where I was born.

RR: Yes. Did you grow up there?

WH: No. My family left when I was two years old and moved to Camden. We moved from Texarkana — first of all, my dad married my mom in 1931, after they met each other at the University of Missouri.

RR: At the School of Journalism?

WH: At the School of Journalism. Right. In fact, just kind of a footnote there — my dad was best friends and roommates with Don Reynolds.

RR: Really?

WH: And, of course, Don Reynolds wasn't in the newspaper business then, either, but they maintained a lifelong friendship and corresponded with each other for years. And both ended up leaving the University of Missouri and both striking out and getting into the newspaper business. [Laughs]

RR: Yes.

WH: My dad kind of married into it, anyway. But my dad has devoted his whole career to newspapers from 1931. He retired in 1981. Fifty years. So he went to World War II in 1940 or 1941. When he first came to Little Rock he was at Camp Robinson as the press information officer. Don Reynolds was in the military over in Europe, and Don got a request for him to transfer over to Europe with him. And my mother always said she just never forgave Don [laughter] for getting that transfer. Anyway, they were co-publishers of *Yank* magazine.

RR: Really?

WH: Yes. Anyway, my dad came back from World War II in 1945, I guess. And he decided, "You know, I really love the newspaper business, but I really don't love working for my father-in-law. I'd really like to own my own newspaper." That was his dream, to own his own paper. So after a few years he found a newspaper that was for sale out in Midland, Texas. By then he knew a lot of people in Texarkana, and they obviously regarded him highly on his business and publishing abilities. So he got an option to buy the paper in Midland. He got enough local business people there who said they would back him if he bought the paper. So he went in to see his father-in-law, C. E. Palmer, and said, "You know, I've always wanted to own my own newspaper. I've got an opportunity to buy one in Midland, Texas." My grandfather thought, "Midland, Texas! That's not the end of the earth, but I'm sure you can see it from there." [Laughs] And he thought, "You're going to take my only daughter all the way out to Midland, Texas. I'll hardly ever see her." So he finally came around and said, "Look. Here's what I'll do. I'll sell you one of my newspapers if you won't go to Midland." And so he did. He sold him the second-smallest paper he had [laughs] which was the paper in Camden, Arkansas. My dad said, "That's fine." It was eighty-three miles from Texarkana. In 1949 he bought the paper in Camden, [which probably] wasn't expensive to buy, I guess, at the time, but it may have been before the oil boom out in Midland. I'm not sure when that hit. Anyway, when I was in two years old, which was 1949, my whole family — my two sisters, myself, and Mother and Dad — moved over to Camden and bought the *Camden News*. I grew up in Camden.

RR: Yes.

WH: I had a great experience growing up in Camden, Arkansas. I loved it. One of my Sunday school teachers was David Pryor.

RR: Really?

WH: Yes. Of course, my brother-in-law, Richard Arnold, ended up running against David Pryor. [Laughs]

RR: Yes.

WH: You know, small-town Arkansas.

RR: Yes.

WH: But it was wonderful growing up in a small town. I was there until fourteen. I went away to school when I was fourteen, but I still lived there until — but once you go away to school and go away to college, you kind of . . .

RR: Have you ever thought that if you had gone to Midland, you probably would have grown up with George W. Bush. Aren't you about the same age?

WH: We're exactly the same age. Yes, I've thought about that. [Laughter] You know, I'm sure I would've gotten to know him because the family that owned the local paper — the Bushes, etc. Yes. And I never would have grown up in Arkansas.

RR: Yes.

WH: It's just one of those little twists and turns in history and fate that things would have been far different for me and for Arkansas and everything. [Laughter]

RR: Talk to me a little bit about how it was growing up in a newspaper family. Now, here you were — you were third-generation newspaper people.

WH: Yes. Well, it was wonderful, actually, growing up in a small town, and your family owning and operating a small-town daily newspaper. Of course, by the time I was ten years old, my grandfather died. And at that point my dad took over operating all the newspapers — Texarkana, Hot Springs, Magnolia, El Dorado, and a CBS-affiliated television station which had been on the air five years at that point.

RR: That was here?

WH: That was in Texarkana.

RR: Texarkana.

WH: And then it actually became a Texarkana-Shreveport station. And my dad spent a lot of time on that. He really was instrumental in putting that TV station on the air. He kind of talked my grandfather into doing it. Anyway, after that my dad spent a lot of time in the car driving around to the various other properties. You know, my sisters ended up having summer jobs at the paper. I ended up working every summer at the paper. I was ten years old. I had my first job working in the mail room inserting papers at fifty cents an hour. I'd go down there and work on Saturday mornings.

RR: This was by hand?

WH: By hand. Yes. And then I think I was a proofreader when I was thirteen years old. I had a lot of summer jobs like that. When I graduated from high school after my senior year, I had my first forty-hours-a-week job. My other jobs were part time. And I worked at the *El Dorado News-Times* as a reporter. I'd get up every morning and drive down there. It was thirty miles to El Dorado.

RR: How old were you?

WH: I was seventeen, I guess, then.

RR: Yes. Was that your first reporting?

WH: That was my first reporting job. Right. I think my dad told me — it was at the end of the summer — he said, "Well, I got good reports from the editor down there on how you did, and I'm proud of that. But what I'm really proud of is that the whole summer you were never late to work a single day. You had to drive down there." [Laughs] I was a teenager. I was seventeen. I have two seventeen-year-old daughters right now. [Laughs] Anyway, that was a good experience for me. I guess the most important lesson was — my dad was always not only saying but living the fact that the newspaper comes first. The newspaper is more important than anything in our family, than any family financial considerations. The newspaper is the most important, and we just all kind of absorbed that and learned that, and believed that, and it was sort of a creed. That was a very valuable lesson, because that's been a very good guide in my career, by believe in that also.

RR: Yes.

WH: And seeing that often the newspaper would take an unpopular position or people would get upset. Or my dad would tell stories about some guy coming into his office and breaking down in tears, and saying, "If you publish that DWI [Driving While Intoxicated] or whatever in the newspaper, my wife is going to divorce me." "It's a matter of public record, and we've got to do it," he would say, and understanding that, the newspaper has a greater loyalty to its overall readers than it does to any friend or any prominent person in the community.

RR: Yes. Who was that well-known newspaper editor or publisher who had the rule that "if anybody in my family gets picked up for DWI, it goes on the front page, and then he himself was the first . . . [laughter]

WH: He was the first one.

RR: That was somebody that we all know about.

WH: Well, I guess I was fourteen at the time, growing up, and we were pulling pranks as teenagers often do, and we drove through a motel one night in Camden at about 12:30 or 1:00 in the morning — it was pretty late — honking the horn. Of course, the police pulled us over and booked us for disturbing the peace. Absolutely. My name was in newspaper.

RR: Really?

WH: Yes. [Laughter]

RR: But the *Camden News* your father owned — I assume that at some point that was folded into the general operation.

WH: Yes. It was interesting. Once my grandfather died, my grandmother, then my mother inherited most of the stock in the company. Through a reorganization in 1968 — I was just getting out of college at the time — the *Camden News* ended up giving stock to shareholders and they turned in their stock in Texarkana, Hot Springs and El Dorado — the *Camden News* ended up, technically, being the parent company of all the other operations. But it was kind of odd. Here you had this small paper in Camden, which was owned by Camden News Publishing Company, which also was now the parent company for our other newspapers. Yes. And then, I guess, in 1973 my dad came up with WEHCO — W-E-H-C-O — for Walter E. Hussman Company — WEHCO Media.

RR: Yes.

WH: The *Camden News* owned WEHCO Media, which, in turn, owned all the newspapers. A few years ago we decided to name the parent company WEHCO Media.

RR: Yes. This is jumping way, way ahead, but do you ever give any thought to taking the company public and selling stock?

WH: No, I do not.

RR: You don't see that in the future, somewhere down there?

WH: No. I don't see that in the future.

RR: Okay.

WH: I don't really think that's a good idea.

RR: Yes.

WH: The more people I talk to the more convinced I am that it's not a good idea. [Laughs] And I think particularly with newspapers, they are better of privately owned than publicly owned for numerous reasons. One is that because of the way all publicly owned companies operate nowadays — not just newspapers — they're expected to produce improving quarterly results. So that really tends to focus the emphasis on short-term instead of long-term results. I think that's bad for any business, but I think it can be particularly bad for newspapers. So if you're privately owned, you can focus on the long-term, avoiding the short-term pressures if you're publicly owned. The other reason is that a lot of the stock market valuation nowadays is based on growth — stocks that really get the high valuation are the companies that have higher growth prospects. And newspapers are not a growth business, so they're not going to be rewarded with high valuations for that reason. Newspapers are more of a steady, stable kind of business, although they still have lots of challenges, and more challenges than they've ever had. So I don't think that being publicly owned is a benefit. Newspapers have generally been profitable enough. They've had access to capital markets. We've never had a problem getting the capital to operate our businesses — to buy new presses and to build facilities. Now, if we were going to go on acquisition binges and buy lots of other papers, maybe we would need greater access to capital markets. Now I've got friends who run publicly owned companies. I got a note from one of them recently saying, "Don't ever think about going public. There are lots of reasons not to be public, but this Sarbanes-Oxley law is just so horrendous now — the requirements and the penalties. You must certify numbers — you can't be positive as to their accuracy. It's kind of frightening."

RR: Yes. I guess Gannett would be a pretty good example. I don't know what their profit margin is now, but it used to be if it wasn't up in the upper twenties or around thirty or better, they were not satisfied.

WH: They generally have the highest profit margins in the industry, certainly among the publicly owned companies.

RR: So you're not pressed to keep up those continually growing profits.

WH: Right. We've had down years. And when we have down years, we tell our shareholders, "We're going to have a down year this year. Here are the pressures we're under. We're not going to cut our news hole. We're not going to cut our distribution area and circulation. This business is cyclical. It'll come back. These newsprint prices will come back down or advertising will cycle back up."

RR: I gather your shareholders are generally family members.

WH: They're all family members. Yes.

RR: Well, that really was a digression, but I'm glad to hear you talk about. That's something that I happen to have strong feelings about. You who own family newspapers are a small and shrinking minority.

WH: That's right. Today we're few and far between.

RR: Let's fast-forward to 1974.

WH: Okay.

RR: Before we talk about you and the *Arkansas Democrat*, as it was then. Lay a little background for me about your company at that time. What was the status of it? What all did the company have?

WH: Well, we had the newspapers in Texarkana, Hot Springs, El Dorado, Camden and Magnolia. The newspaper in Texarkana was family-owned since 1909, although there was a brief period when they didn't own it, I think, in the 1920s.

RR: You mean Mr. Palmer?

WH: Yes.

RR: He got it in 1909.

WH: Yes. He bought the paper in 1909. I think he bought the *Texarkana Courier*. There were multiple papers in Texarkana when he bought the *Courier*. A lot of people have asked me, "How did he end up getting in the newspaper business?" I don't know if you want me to give you the rest.

RR: Yes. Yes.

WH: He was on a honeymoon with his wife, Betty, and they had left Fort Worth and they were on their way to Florida or maybe Cuba. The oral history passed on to me is that the trains back in 1909 generally didn't run at night, because of the roaming livestock. So they would generally stop at sunset, and then the next morning at sunrise they would depart. So they stopped in Texarkana near sunset and they spent the night. Most of the people on the train would get off the train and go into town and find a place to eat. Anyway, they went into Texarkana and apparently had a wonderful evening [there] that night. And they said, "Let's just stay here a little while. The train will be coming along later. We can get on another train and go to Florida later." So they stayed in Texarkana. I don't know if they ever got to Florida on their honeymoon. [Laughter] Anyway, he ended up buying a newspaper there in Texarkana, the *Texarkana Courier*. Later, I think it became the *Four States Press*, and then he eventually acquired the *Texarkana Gazette*, and there was a consolidation of papers going on all over the country. And then — I was ten years old when my grandfather died, but from what I understand from family — you know, oral history — is that he was really an entrepreneur as much as a newspaper publisher. He loved business. He was very entrepreneurial. And at one point he sold the *Texarkana Gazette* to some people named Stevick.

RR: Stevick? Can you spell that?

WH: Yes. Their family still owns the paper in Champagne-Urbana, Illinois.

RR: Do you know how to spell Stevick?

WH: I can probably look it up here. Anyway, they sold the paper to them. The fellow didn't have enough cash to pay for all of it, so he gave Palmer some notes in addition to cash. But he fell on hard times, and Stevick couldn't pay his notes, so my grandfather took the paper back in default.

RR: And he had been in another line of business at the time, I guess.

WH: You know, I'm not sure. He was dabbling in oil.

RR: Yes.

WH: He was investing in oil and land.

RR: He must have had some resources to start with to be able to buy a newspaper.

WH: Well, back in those days — I think he started out as a business manager at the *Texarkana Courier*, and ended up — back in those days, newspapers weren't very valuable, and a lot of people — I think it may have been August Engel who started out here at the *Democrat* as the business manager — a number of people ended up going to work at newspapers and ended up in ownership positions.

RR: Yes.

WH: Anyway, I kind of say we got back into the newspaper business literally by default.

RR: Right. Yes.

WH: And then I think after that he decided that he ought to expand. It made sense to own more than one newspaper, and he went around and started buying papers in Hot Springs, Magnolia, El Dorado and Camden.

RR: Yes. I grew up at Hot Springs, and I remember that Mr. Palmer was the owner of the paper during my boyhood.

WH: Yes. So in 1974 we owned all those newspapers. We put KTAL-TV, which was the NBC affiliate in Shreveport/Texarkana — on the air in 1952. An interesting story there. It started out as a CBS affiliate. CBS was the top network. We were the only station in Ark-La-Tex. There wasn't a station on the air in Shreveport when we put the station on the air in Texarkana, so we were really pioneers as far as getting the first station going down there. But by 1960, it was apparent eight years later that the larger market was Shreveport, it wasn't Texarkana. And CBS decided to leave us and go to one of the Shreveport stations. I believe it was Channel 12. They were delighted to get CBS because it was the top network.

RR: Sure.

WH: We were confronted with being an independent station in Texarkana, and there's no future in that, so my dad negotiated with NBC to get the NBC affiliate if we would become a Shreveport/Texarkana station, and really serve the Shreveport market. We built a new tower at the time. We built the second-tallest TV tower in the South, and they called it KTAL for Texas, Arkansas and Louisiana. KTAL was also called K-tall, meaning a tall tower. There was a big emphasis on the tall tower to serve both markets — and it placed a good signal over both Shreveport and Texarkana. So we had that TV station since 1952, and that was a major part of our operations then. And in the 1960s — probably 1963 or 1964 — my dad had this idea of getting into the cable television business. And my grandfather had already invested in cable TV, but as sort of a passive investor. He invested in a company called Midwest Video that obtained franchises in towns like Greenville, Mississippi, and Bryan/College Station, Texas, that had almost no TV reception. They were quite far from any other TV market.

RR: Yes.

WH: But my dad decided that someday cable TV might be sort of a hedge or an adjunct to newspapers, that maybe newspapers might even be delivered over cable TV. Of course, now they can be, over the internet, and much faster over high-speed cable TV connections. Anyway, that was his thought. I think the first system he bought was in Hope, Arkansas. Then he got the franchise in Camden to build the system. So he went around obtaining franchises for towns that didn't have cable TV back in the 1960s. He got a franchise in Hot Springs. He got a franchise in Vicksburg, Mississippi. He got a franchise in Longview, and also Kilgore, Texas. So he was acquiring a lot of franchises. So when I moved back to Arkansas in 1970, he was just starting to build some of these cable systems, and, unfortunately, in the 1960s the FCC [Federal Communications Commission] was controlled — many people believed at the time that it was controlled more by the broadcasters, and they were successful in persuading the FCC to put rules into the place that hobbled the growth of cable television, at least in markets like Little Rock, Hot Springs or Pine Bluff. It was always successful as an antenna service, but when it had to go into markets that had very good reception from multiple TV stations, it was tough to sell cable TV. You had to bring in channels from other towns like Dallas or Atlanta. Anyway, we were just building the cable system in

Hot Springs, and then we decided to build the system in Vicksburg. So by 1974 we had finished building the system in Vicksburg. We had built most of Hot Springs. We had Camden. I think we had about 4,000 subscribers in our system in 1970 when I came to work, and by 1974 we were up to 7,700 [see Exhibit 1]. But we were in a building mode of building out these cable systems. We started building Longview. Longview was a big risk because they could carry very few channels, so we started our building only thirty-two miles of what ended up being about a 250-mile system. So we were borrowing money. We borrowed money in 1972. We were trying to borrow money to build these systems. Borrowing was a challenge because there weren't a lot of other systems in markets like we were building, because cable TV companies were being cautious. So we were trying to borrow money here in Arkansas, and they were saying, "What are you going to give us as collateral?" When you build a cable system, all your money is on the poles. It's on the lines up on the poles, so if you default, what does the banker do, go get the lines off the poles? And how does he sell it? Sophisticated out-of-state banks were lending against a predicted cash flow from the cable operations, not based on assets. Many banks in Arkansas weren't oriented to this type of lending.

RR: Yes.

WH: So we ended up borrowing money at the Bank of New York. I had some friends from college who ended up working there in management training programs and they introduced me. So we set up a banking relationship with them in 1972 that we still have today, over thirty years later. They loaned us the money to build these systems. So we were borrowing money to build our cable systems in 1974, and actively building them.

RR: Yes. You were twenty-five years old in 1972. You must have already been taking over some responsibilities in the company. Your father was still in charge I guess.

WH: Yes. When I moved back in September of 1970, I was twenty-three years old. Total revenues for all our companies in 1970 were $7.6 million [see Exhibit 2]. Out of curiosity, I checked and the *Arkansas Gazette*'s revenues were $8,780,000 in 1970 [see Exhibit 3]. So I first stayed in Camden and worked with him for about two years. We didn't have a management training program, but I would go in his office every day. We'd talk a bit. He'd explain things to me. I'd have a lot of questions. And then he'd send me off on assignments. I think the first assignment I had, he said, "You know, we need to build the cable system in Vicksburg, Mississippi, so here's what you're going to do. You're going to go down there and you're going to meet with various contractors and negotiate a contract to build a system. You need to recommend which contractor we're going to [use], and go over the agreement and make me a recommendation on why we ought to use them, and recommend language for the contract."

RR: Yes.

WH: So that was the first thing I did. I had never done anything like that.

RR: Kind of like a little kid who's pitched into the swimming pool.

WH: That's like, we've got to learn to swim. That's right. It was exhilarating. You know, it was really interesting to do that. And I thought, "This is not what I had planned in school. I've got a journalism degree from the University of North Carolina, and I've got an M.B.A. from Columbia University, and my first job was working for *Forbes* magazine. I really moved back to Arkansas thinking that I wanted to be on the news side. I thought that was the creative side of the business. As a side note to that, my father — when I got out of school and was working in New York, he was — let's see, that was 1970 — he was born in 1906 — he was sixty-four years old. He was thinking about retiring, and here he's got a twenty-three-year-old son who's going to be working and living in New York. He was wanting me to move back to Arkansas because my two sisters had married professionals, an attorney and an architect, and they were not involved in the business.

RR: They were older than you.

WH: They were older, yes. One was twelve years older and the other was eight years older. Anyway, I said, "I'm really enjoying my job here in New York. I'd really stay here a while." He said, "Well, think about this. If you move back to Arkansas and try this family business for a while, and if you don't like it, you can always move back to New York. You might not get the exact same job, but you'll get another job, and you can do it. But if you decide you want to stay up here for a long time, we'll probably sell these businesses. And because I'm retirement age — I don't want to wait until I'm seventy or older to decide whether someone in the family is going to run the business." So he said, "If you stay up here and don't come down there and give it a try, you've probably given up that option because the business would be sold. But if you come down and try it for a year or two, you can always go back to New York." And I thought, "That makes a lot of sense. This might be an opportunity I'll want to pursue. I'll never know if I don't go ahead and try it." So I moved back to Arkansas. I worked with him the first two years, and an interesting thing happened during that time. We found out that the general manager of the newspaper at Camden had been stealing money from the newspaper. In fact, he had stolen enough money to build himself a swimming pool in his back yard. [Laughs] That didn't reflect very well on us for letting that happen, but it happened. We found out about it, so we had to dismiss him. Anyway, my dad said, "All right, your next assignment is to find a general manager for the *Camden News*. So go out and interview people and search for them, and let me know who you'd recommend." So I started looking for a general manager for the *Camden News*. You know, this fellow had done it for over twenty years, and I found it was hard to find somebody to run a newspaper in a small town like that. So after a month or so, he said, "How are you coming on this?" I said, "I'm not having much luck. I'm looking. I'm talking to people, making phone calls and interviewing." He said, "Well, this newspaper can't run itself. I'm tied up with a lot of our other companies in Shreveport and Texarkana. Here's what we'll do. We'll make you the acting manager, and you'll keep that job until you find your replacement." I said, "I don't really want to be the manger of the *Camden News*." I was more interested in the journalism side.

[End of Tape 1, Side 1]

[Beginning of Tape 1, Side 2]

RR: You had to work yourself out of a job there.

WH: That's right. Anyway — well, at the time that newspaper wasn't doing very well. It wasn't making very much money, and it was still printed on an old press. Gosh, we'd crank up that old letter press — it was a flat-bed press — and you could feel the whole building shake. [Laughter]

RR: Yes.

WH: It had been that way for a long time. Anyway, we really needed to convert offset lithograph printing. We weren't making much money. Buying another printing press to put in Camden made no sense. El Dorado had a really fine printing press that they had bought probably six years earlier. It was an Urbanite, and I said, "Why don't we print the *Camden News* in El Dorado? It's a morning paper, and we're an afternoon paper. They could print both of them and we could just truck it up here in thirty minutes." So we decided to convert the paper to offset and print it in El Dorado. While I was manager — I did find a good ad manager. I recruited him from the paper in El Dorado [laughs], our other paper. I got him to come to Camden and help me because he knew a lot about selling advertising. I knew <u>nothing</u> about selling advertising. And we converted the paper to offset. That experience was fascinating, plus we had an advertising boycott. We got through that.

RR: Why?

WH: Oh, we had a rate increase, and for some reason some hot-headed advertiser got all stirred up about it.

RR: Not some great social issue — the people were . . .

WH: [Laughter] No. It was the rate increase. Anyway, I started thinking, "This is really fascinating. I'm really enjoying this." I didn't think I'd enjoy this. And I thought, "What am I enjoying about this? What I'm finding is that you can really bring creativity into trying to solve business problems." What you have here is the challenge of a limited amount of time, and a limited amount of resources, and you have to accomplish a certain objective. So how do you deploy those limited resources? They may be the people you have working for you, and the equipment that you have. And how do you do that? You not only accomplish objectives, but in this case we started producing a better-looking newspaper with better content, more interesting journalism, more advertising that's valuable to you as well as the community and the merchants. And I thought, "This is interesting. The journalism side, I know, is creative, but it can't be more creative than <u>this</u>, can it?" I was really surprised. I thought, "Gee, I'm really having to rethink what I thought was going to be so interesting in coming down here to work in the family business." So after about two years in Camden, my dad and I decided it would probably be a good idea if I worked at another one of our newspapers. So I moved to Hot Springs, and by that time my dad said, "You have done a great job and you've really got a lot of potential. You're good enough right now to manage our five newspapers. I'll continue to operate the TV side and cable side, but we'll let each of the general managers report to you." I had my office in Hot Springs, so I moved up there in 1973 and lived there for about a year running the other newspapers. And in 1974 the *Democrat* came up for sale. That's kind of where we were . . .

RR: Let me back up just a minute to *Forbes*. You were there a year or more?

WH: Yes, probably less. It was less than a year.

RR: What sort of reporting did you do?

WH: Well, it was interesting. They had a really small staff. I interviewed at *Forbes*, *Business Week* and *Fortune*. They were very different kind of magazines at that time. *Fortune* was monthly and *Business Week* published weekly — *Forbes* was every other week. But they're very different in their journalist approach. *Business Week* had about 400 people on their staff. They had three or four people covering the steel industry, two or three people covering computers — *Fortune* had a smaller staff, maybe a hundred people. And they really did lots of in-depth articles, and they didn't really divide up by industries, but they had a lot of talented people. *Forbes* had a smaller staff. They had about twenty-five people.

RR: On the news staff?

WH: On the news staff.

RR: Yes.

WH: Yes, on the editorial staff. And they had really short articles, generally. Much shorter, breezier, faster reading. And they would have an editorial conference every two weeks, and all twenty-five people would come in and they'd go around the conference room — everybody had to have one or two story ideas, including me. I had just gotten out of business school. But everybody was expected to come up with ideas. That was pretty interesting. I thought, "This is <u>wonderful</u>." And that's one of the things that kind of appealed to me about going to work there.

RR: What's your favorite story that you did from that time?

WH: Well, I did a story on the change in fashions. That's when the dress, the midi, came along, when the hems were midway down the calf.

RR: Yes.

WH: And I actually helped — there was a cover story, and I wrote part of that. They gave me credit there. I guess the editor would write a little editor's note in front of the magazine about the cover story and how they came to do the story, and who worked on it. So I did a lot of the interviews. I did some of the writing. I think that was probably my favorite story because that's the one I contributed the most.

RR: In my humble opinion, women's dresses have never improved since the midi. [Laughter] Yes. Someday they'll figure out again that that is the sexiest possible length for a woman's dress — halfway down toward the ankle. [Laughter]

WH: I think the story I was the most excited about doing, and I left before I could really do it — that was in 1970 — it was about the three television networks. And, of course, I was interested in media because I had grown up in a media family. But the television networks were under a lot of pressure. There was an advertising recession that had started in 1970. Tobacco was being banned from television. The networks were undergoing some significant changes, and back in those days those were CBS, ABC and NBC — those were <u>big</u> companies. So I suggested we do a major story on that. And I left, and they ended up doing a cover story on the three TV networks. [Laughs] You know, even if it was your idea and you didn't do it, you had a lot of pride in it.

RR: Yes. Okay. 1974. What was it that sparked your interest in buying the *Democrat*. Now, here we have an afternoon newspaper that, by then, is struggling, period.

WH: Absolutely.

RR: There were some very good efforts, but afternoon papers everywhere were on the decline. What got you interested in taking that problem — that challenge on?

WH: Well, you know, it was interesting — I was living in Hot Springs at the time and running these newspapers, and they were all doing fairly well. We were making a lot of progress. Not just financially. I had hired Mike Masterson to come in as the editor of the *Hot Springs Sentinel-Record*, and we significantly improved the quality of the paper — the journalistic quality. The *Hot Springs Sentinel-Record* — that was a lot of fun, and I really enjoyed doing that. So things were going well. But, you know, I had this business degree from Columbia University. Back in those days I was anxious to use a lot of the ideas I had learned. I had used some of it in our business. But what was really exciting to think about was turning around a business. We had turned around the *Camden News*. It was a very small business, you know, but that was really exciting. And I thought it would be great to turn around a larger newspaper. I said, "As long as we're in the business of journalism in Arkansas, then the ultimate would be to have a newspaper in Little Rock. You know, that's the capital of the state. That's the center of the state — the largest city in the state. That would be a wonderful thing if we could own a paper there, and if it could be a really well-regarded and financially successful paper, that would be terrific." And we thought about it and we looked at it. But we saw a lot of problems with the *Democrat* in evaluating it.

RR: So by this time Mr. Engel was dead and his nephews had taken over.

WH: Mr. Engel was dead. Yes. Right.

RR: Yes.

WH: And we saw continuous declines there. And we had a high regard for the *Arkansas Gazette* as a newspaper. My dad read it every single morning. And when I went to New York and lived up there a couple of years, I subscribed to it by mail and read it every day.

RR: The *Gazette*?

WH: The *Gazette*. Yes. My dad said, "This is a well-packaged newspaper. It's got a lot of good in-depth reporting, high story count," a lot of attributes that were positive about newspapers. He said "You know, if we buy the *Arkansas Democrat* — it may have gone down too far. We <u>may</u> not be able to turn it around. And we <u>may</u> not be able to succeed with it." And I kind of think we came to the conclusion that if we decided to buy it, it was going to be because it was in Arkansas. If we had found the same opportunity in Jackson, Mississippi, or Shreveport, Louisiana, or somewhere else, we probably wouldn't have done it. But because our whole family had been in Arkansas in the newspaper business for decades, it was worth a try. And, of course, I think if I hadn't been back into the business and my dad had looked at it, my dad probably wouldn't have done it. At his age — he said, "If we buy the *Arkansas Democrat* I can't go up there and run it. I'm past my mid-sixties now. If we buy the *Arkansas Democrat*, you're going to have to go over there and you're going to have to take on the challenge in running it. And besides, you're the one who feels the strongest about doing it, so that's probably the way it ought to be." But I was only twenty-seven at the time. Anyway, my dad said at the time, "We've got to be able to decide now. We've got to look out a point in time," and we picked three years. He said, "If this thing hasn't been successful after three years, we need to set that date now and revisit it at that time.

RR: Successful — meaning what?

WH: Meaning that we've turned the business around, advertising has been turned around, circulation has been turned around . . .

RR: So it was losing money in 1974?

WH: Yes. Well, yes, it was losing money. It wasn't losing a lot of money, and it had been profitable several years prior to that. And it had been profitable for many, many years, so it had lost money only four or five years by the time we bought it. And turning it around also meant moving it back into the black — making money and reversing the advertising and circulation trends, and getting those on the upswing.

RR: For three years.

WH: Yes, we said in three year's we'll do that. So the hope was that we would be able to turn the paper around. We would get it back into the black, and we would slowly be able to gain market share so that eventually we could try to catch up with the *Gazette* and be a comparable alternative to the *Gazette*, which the

Democrat had been at periods in its past.

RR: As an afternoon paper.

WH: As an afternoon paper. Yes. And we knew that was going to be difficult, but in the early 1960s the *Democrat* had about the same daily and more Sunday circulation than the *Gazette* [see Exhibits 4 and 5]. Part of that may have been the aftermath of 1957. But still the *Democrat* had a very strong circulation base within the retail trade zone which was the 26-county area. Anyway, yes, being an afternoon paper — we realized was part of the challenge.

RR: Yes. So how did it go?

WH: Well, the first thing that happened when we were buying the newspaper, there was a union organizing attempt at the *Democrat* and at the *Gazette*, also, but different unions. We had the ITU — International Typographical Union — trying to organize the *Arkansas Democrat* newsroom employees, and the Guild was trying to organize the *Gazette* employees. So when we bought the newspaper the first thing we had to do was work on this union organizing attempt because we were a non-union operation. We pursued the newspaper unions with all their archaic work rules as an obstacle to improving the newspaper. It was something that was really holding back the *Democrat*, and we were going to try to convince the employees that they didn't need to belong to unions, that we had good healthcare plans, a profit-sharing plan, and lots of benefits. And, over time, hopefully, we'd become a non-union operation and a more efficient operation.

RR: Did you have the printers' union already here?

WH: Yes. There were four unions at the *Democrat*. There were the printing pressmen, there was the ITU for the composing room, there were the stereotypers, and there were the mailers union. There were four unions.

RR: Yes. Okay.

WH: So the first thing I did was spending almost every morning with Jerry McConnell, who was managing editor, and we worked on a strategy to try to win the union election.

RR: Yes.

WH: And that was wonderful. I really enjoyed working with Jerry, and I got to know him really well. All of a sudden, I was down in the trenches. We ended up winning that election thirty-one to fifteen, which was good because the majority of the employees had signed cards. But with new ownership and explaining how we operated our other newspapers and the fringe benefits, the employees decided to give us a chance. The *Gazette* ended up winning their election, also, fifty to fifty. In the case of a tie, management wins, but it was as close as you could get.

RR: As I recall — I was not here — but that was a fairly bitter contest over at the *Gazette*.

WH: Yes. But the vote will also tell you something else. Thirty-one to fifteen, if you add those numbers together, you get forty-six. If you add fifty and fifty together, you get a hundred. So that tells you something about the sizes the newsrooms. The *Gazette* newsroom was over twice as large as the *Democrat* newsroom.

RR: Right.

WH: Anyway, we won that, and the first year we operated the newspaper we did really,

really well by this criteria: number one, our circulation losses stopped and we started gaining circulation.

RR: Why?

WH: Well, the first thing I did after we bought the *Democrat* was that I went around and talked to various people who had been at the *Democrat*, but who had left. One of those people was Gene Foreman. I went to Philadelphia and talked to Gene Foreman, who was managing editor of the *Philadelphia Inquirer*. And I talked to a number of other people. And they said, "Man, have you got problems in your circulation department." The circulation manager played golf about three afternoons a week, and even would even wear his golf shoes into the newspaper office. [Laughs] So the average age of the advertising staff was sixty-six years old. That might be a politically incorrect thing to talk about nowadays, but, you know, advertising in certain ways, is a younger person's game. People need a lot of energy to get out there and hit the streets, and we just didn't have a lot of younger people to do that. Anyway, circulation turned around. We sold it better. We delivered it more efficiently. Advertising turned around. We brought in a lot of new ad salespeople. We brought in a new ad manager. We got a new circulation manager. And, all of a sudden, with new ownership, and also an ownership that had decades of experience in the newspaper business, the employees and community perceived us differently than the two nephews — I don't know what people thought about them. Maybe they thought highly of them. But with us, they thought, "They've operated newspapers for decades. They know what they're doing. Let's give them a chance." So a lot of people in the business community in Little Rock started advertising with us. I remember going to lunch with Finley Vinson. And he said, "We're going to get back in the newspaper." Billy Rector said, "We're going to start giving a lot of our classified real estate advertising to the *Democrat*." And it was amazing because all of a sudden all this additional advertising that the *Democrat* hadn't had for <u>years</u> was now in our paper. So things were going great in advertising. I made Bob McCord the editor, and Bob started doing a good job editing the newspaper. We had a lot more interesting stories in the paper. And we started running some color, which the paper hadn't done in a long time. But it dawned on us that as we went on month after month there in 1974, that something was wrong. I remember in September I went on a trip to Russia with Hodding Carter — there were twelve of us young journalists who went on this trip. I remember coming back from the trip, and Paul Smith said, "We had a 12,000-inch gain in advertising in September." It was <u>fantastic</u> to have a 12,000-inch gain. But every month I looked at the profit-and-loss statement, and the more business we did, the more money we lost. And I thought, "This is crazy. Something is wrong with this picture." And it turned out that our operating expenses — mainly because of all the union work rules and restrictions — we couldn't make money by bringing in more business. It just didn't make any sense. I mean, here are some examples. We would print more pages. We'd print a bigger paper. Well, because the labor union with the pressman's union, we had to hire *Gazette* pressmen to come over here and work at the *Democrat* because of these manning requirements on the press. I went back to our pressroom on a Saturday night one time — Saturday night was when we usually had to bring more people over — it was the biggest paper of the week with more advertising — there were people asleep back there on cots to fulfill the manning requirement. And people were starting to send ads in that were already engraved. The ad agency would send us an engraving. Well, you know, the typesetters' union would say, "But we've got to reset that ad." So they would reset the ad and they'd throw it back into the hot metal. They'd call that "bogus." You probably remember that term.

RR: Yes.

WH: And the engravers said, "But we've got to re-engrave that page." All these restrictive and costly work rules — we weren't used to this in our other newspapers. And so after about the first year, about March of 1975, we said, "We've proven we can turn things around, advertising and circulation wise, but there's no hope of making any money doing that unless we can solve our internal problems." You know, we had success externally with readers and advertisers. "We've got to solve our internal problem in order to be able to streamline now so that when we go out and get a lot of additional business, we can make money doing it." So we retrenched at that point. We retrenched externally from placing a lot of effort into selling circulation and selling more advertising. I said, "We need to reorder our priorities so that cost efficiencies are emphasized." And we did. From 1975 through about 1977, most of the unions decertified. Eventually, all . . .

RR: Decertified?

WH: Decertified.

RR: Meaning the members themselves voted . . .

WH: The members themselves said that they no longer wanted to be represented by a union. I mean, to me it was a tremendous vote of confidence in the management of the newspaper that they would do that. And I think they were beginning to realize, you know — I told them honestly, "We can't make any money the way things are set up now. And if we can't make any money, none of us have any hope. Me, you, and all of us don't have any hope of having a job here." They all came around. They eventually all decertified. Well, I think maybe the last union to decertify was the ITU in 1978. Maybe by 1977 three of the four unions had decertified. And what happened was our losses started getting less and less. We were still losing money. We lost money in 1974 and up through early 1975. But then once we started really focusing internally, our losses started shrinking. And we had reduced the losses down to a fairly small amount by 1977. But what had happened — while we were focusing internally, the *Gazette* was just getting stronger and stronger, gaining more advertising, gaining more circulation, and we were losing market share. I think when we bought the paper we may have had 65,000 daily circulation, and maybe by 1978 we were down to around 56,000. And the *Gazette* during that time had grown from 116,000 to 126,000. They were continuing to gain market share on us. And they were becoming more and more — which they already were, but even more so, they were becoming the primary buy. You know, I remember the first time after we bought the newspaper that the

Gazette had an advertising rate increase, and it was a big one. I mean, it was a double-digit rate increase. And we said, "Oh, boy, this will be great for us. We'll tell all the advertisers we're doing to hold our rates steady." And what happened was when the *Gazette* raised their rates, we lost business. Now, why would we lose business when they raised their rates? The problem was that they were the must-buy, and we were considered as a complementary buy, like radio. We were not really an essential buy because we weren't a substitute. We were a complement. Anyway, soon, 1977 had rolled around. We had accomplished great things, I thought. We had been able to show that we could turn around circulation and advertising. We had shown we could reduce our losses. We got our production and operating costs — labor costs — down from over $100 per page down to around $20 a page.

RR: That's amazing.

WH: A <u>dramatic</u> improvement internally, you know. But we weren't making money. So my dad reminded me, "Hey. Three years are up." So [then] my dad was seventy-one years old. So we sit down and start talking about it, and he said, "I think it was a valiant attempt. It was a good try, but we're still losing money, and we've lost market share. It's time to come to grips with that reality." And at that point we decided that it hadn't worked and we'd try to get out of this investment.

RR: So we're up to 1977 or 1978?

WH: 1977.

RR: Okay. Yes. So you tried to get out?

WH: Yes. Of course, it was clear to most people that afternoon newspapers were having major problems in 1974. By 1977 no one was an afternoon newspaper [laughs]. And it was better to sell the *Democrat* back when the former owners had owned it, but once an experienced newspaper operator had come in and operated it for three years and now they wanted to sell it, well, that made it more difficult to sell. So we thought, "This thing is going to be tough to sell. Maybe the best way out is to do a joint operating agreement [JOA]. And let's not make any bones about trying to get a good financial deal or the best deal or whatever. Let's just try to get out." So I called Hugh Patterson and set up an appointment with him to talk about trying to do a JOA. I had a couple of meetings with him. At least two, maybe three. I can't remember exactly how many. And I would meet with him, just the two of us, one-on-one. I had known the Pattersons — Ralph Patterson had gone to the University of North Carolina where we both were in college, and we even rode back to Arkansas once together.

RR: Really?

WH: And I've stayed with the Pattersons in their home. Back in those days we were just a family that owned some small newspapers down in south Arkansas [laughs]. Anyway, I told Hugh, "We got into it for laudable reasons. We wanted to have a voice in Little Rock. We had been in the newspaper business for years, and we hope to make money. We haven't been able to. We had hoped to be more competitive with the *Gazette*, and we haven't been able to do that successfully. It's time for us to recognize that, and we're willing to do a JOA. We're willing for the *Gazette* to be the dominant newspaper, and the *Democrat* to be the secondary newspaper. We're not asking for fifty-fifty or anything like that. We will agree to whatever terms you think are reasonable." He got back in touch with me and said he didn't really think they were interested. I thought, "Gosh! You're not interested? Just about everybody would be interested in eliminating the remaining competition." [Laughs] And I couldn't believe he wasn't interested. So I told my dad, "They're not interested. We've got to make them interested. Let's come up with a proposal, an offer he can't refuse." So that's what we did. We came up with this offer that basically said, "Look, we'll distribute the paper wherever you want us to distribute. If you want to distribute the *Democrat* in Pulaski County only, we'll distribute in Pulaski County only. If you want to deliver it Pulaski and Saline County only, or if you want us to deliver it in Little Rock only. Whatever you decide is our geographic boundaries, that's okay. We'll be the afternoon newspaper and you be the morning paper. You be the only Sunday paper if that's what you want. And what we'll do on the profit-split is that on the first $600,000 in profits — " Now, the *Gazette* was making $2 million a year and the potential was to make far more than that. The first $600,000 a year we would split that fifty-fifty, and the reason we wanted to split that fifty-fifty was that when we bought the *Democrat*, we gave the old owners a note for about $3.1 million. And our note payment was $295,000 a year for twenty years [see Exhibit 6A]. So we said, "At least we'll cover our note payment." And after that, we said, "You get ninety percent of the profit and we get ten percent of the profit." Basically, they said no to that. And he came back and said, "I think this joint operating agreement would be a drag on us, and I'm not sure we'll make as much money if we have to subsidize you guys and carry you along." And I thought, "Well, okay. He may legitimately feel that way. I don't think he realizes quite what the potential is, but maybe he legitimately feels that way." So I went back and said, "Here's what we'll do. We don't get <u>anything</u> until you earn as much as you made last year. You'll get one hundred percent of the profits until you get that — then we'll split $600,000 fifty-fifty. And then you get ninety percent and we get ten percent." And I thought, "That way he's guaranteed — he'll always make as much as he did last year, and that will address that concern." His response: "Not interested." So at that point, I went back to my dad and said, "Gee. They definitely don't want to do this JOA." And we thought about it, and thought, "Why don't they want to do the JOA?" And we thought, "Patterson probably perceives that we're about to go out of business. He had good reason to believe that. And if we go out of business, then he <u>is</u> better off than if he has to share ten percent or $300,000 or whatever." And we said, "So what do we do now?" So at that point, what we said is, "Well, we need to find out how we close the newspaper." We didn't want to talk to any attorneys in Arkansas because there was a concern about word getting out. We talked to our Washington attorneys that we generally used for FCC broadcasting and cable TV, so we could keep it very confidential.

[End of Tape 1, Side 2]

[Beginning of Tape 2, Side 1]

RR: This is the second tape of Walter Hussman and Roy Reed on June 30th. Walter, you were talking about you had seen your Washington attorneys and started talking about how to shut the paper down.

WH: Right. And we were talking about what the financial implications were and how you went about it. We had never closed a business. Anyway, they were giving us advice on that. At the time, we started talking about it — it would be the first business we had closed. I said, "Dad, we've been really successful at newspaper publishing. We've been successful in radio broadcasting. We put the first radio station on the air in Texarkana in 1933. We've had successful radio stations. We've been successful in the television business. We've been successful in cable television. This is the first unsuccessful business we've had." At that time, we were kind of mulling this over. I just started thinking, "Is there anything else we could possibly do to revive and resuscitate the *Arkansas Democrat*." So I started on my own doing a little investigating, and I thought, "Who has ever been in the shape we're in today? And if they have been in that shape, have they ever made a comeback?" So I started doing some research, and I discovered a paper over in Chattanooga [Tennessee] that had been a distant number-two newspaper. In fact, it had started out as a shopper.

RR: The *Free Press*?

WH: The *Free Press*, yes. It eventually passed the established morning paper over there, and it was an <u>afternoon</u> paper. And it had started out with far less circulation. And I thought, "Maybe I ought to go over and talk to those guys." So I went over there and talked to the owner, Roy McDonald. "What did you do?

How did you accomplish that?" And he was very inspiring. He was telling the story of how he had done it. He started asking me a lot of questions. He started saying, "Yes, you know, you could do a lot of these things in Little Rock. It might work. It might just work."

RR: He was up against one of the biggest newspaper families in the country.

WH: Oh, yes. Oh, yes. His story is probably one of the greatest in the newspaper industry as far as a business success story. It's incredible what he was able to accomplish. So I became inspired by going to Chattanooga. And I thought, "Well, you know, if we were going to do that, it would be hard to convince my dad by saying, 'Let's give it another go.'" Basically, what they did in Chattanooga — if we were going to try to do this, we would need to try not only what they did in Chattanooga, but anything they tried <u>anywhere</u> else that worked. Because this was really like the last-gasp effort to save the *Democrat*.

RR: Yes.

WH: So we went down to Dallas. The *Dallas Times-Herald* had switched their state circulation from afternoon to morning. They were an afternoon paper, and they had started publishing a morning edition. And they had had a lot of success doing that.

RR: In their state edition?

WH: There, outside of Dallas. And they said, "Our circulation has gone up. The people are much more receptive. They were giving up on us because we're an afternoon paper, and Texas is more of a morning newspaper market." So we thought, "Well, there's an idea. Roy McDonald didn't switch to morning, but maybe we should do what Dallas did and deliver the circulation outside Little Rock in the morning. Circulation in the Little Rock area would still be in the afternoon." We got to talking, and we said, "You know, the most basic problem is how we have been operating the *Democrat*, just trying to edit it more cleverly, carve out niches, in areas that the *Gazette* wasn't covering. Our niche was a more intensive level of local coverage. And Bob McCord had done a fairly good job of that. But I said, "You know, the basic problem is that we're not seen as an alternative to the *Gazette*. People almost have to read the *Gazette*. It's a far more complete newspaper. It's got more national, international, state and local news. It's got more advertising. It's got more display advertising. People who are going to shop at Sears or Penney's or Dillard's that day, it's got the information. It's got the classified advertising." So we started looking at every section. "How could we get more retail advertising in the paper to appeal to readers?" And we started coming up with, "For the *Democrat* to survive, we've <u>got</u> to become an alternative, and we've got to increase our circulation. So everything has got to be focused on 'how do we get readers back in the newspaper?'" So one of the things we looked at was retail advertising. We said, "We could go to the major retail advertisers and say, 'Look, you operate in Tulsa. There's a joint operating agreement in Tulsa. If you run an ad in one Tulsa paper, you pay $7.00. If you run an ad in both Tulsa papers, you pay $8.00 an inch.'" So it's a no-brainer. They ran in both newspapers in Tulsa. With these alternatives, they forced the advertisers into both newspapers by making it uneconomical to run in only one paper. We said, "Well, we don't have a joint operating agreement in Little Rock." The *Gazette* didn't want to do one of those. "But we can make the economics the same. We could say, 'We'll just charge you a dollar an inch if you'll duplicate your *Gazette* ad in the *Democrat*. Not if you run different ads."

RR: Ah, so that's how — okay, I had never really grasped . . .

WH: "So if you run the exact same ad in the *Gazette* in the *Democrat*, instead of paying $7.00 an inch — " Maybe it was $8.00 an inch in the *Gazette*. "Now you pay $9.00 an inch to run in both. If you'll duplicate that — " So our newsprint cost — newsprint, I think, was seventy-two cents an inch. We said, "Hey, to be an alternative, we've got to put out as big a paper as the *Gazette*. If they put out a forty-page Monday paper, we've got to put out a forty-page Monday paper. We can do it because we've got tons of wire service. We're going to get more reporters, but even if the reporters can't fill it up, we can put in more wire service copy. But wouldn't it be better to have a Dillard's ad in there than having just some more wire copy, because there are people who want to read the Dillard's ads." That's local content. It's advertising. And if we had a full-page ad at $1.00 per inch with newsprint cost of 72 cents per inch, wouldn't we be better off than another page of wire service copy with no revenue. So then we said, "Really, these are kind of loss leaders. If we go to the four major retailers: Dillard's, Sears, Penney's and Ward's — and get those people to duplicate their ads, then we'll have a large amount of display advertising. We may not have the Mr. Wick's ad or we may not have some of the smaller ads, but maybe those people will come along after we get more readers. Then we said, "What are we going to do about classified advertising? There are four people who make the decisions on where Dillard's and Sears and Penney's and Ward's run their ads. There are thousands of people in Little Rock every day who decide where they're going to place their classified ads."

RR: Yes.

WH: "We can't make thousands of sales presentations [laughs]. So what can we do?" We heard about this newspaper in Winnipeg, Canada, that had gone to free want ads. So we went to Winnipeg. We flew up there. We had a King Air airplane at that time.

RR: You had a what?

WH: And I didn't think we would ever get to Winnipeg. [Laughs] We flew and we flew and we landed and refueled and flew some more.

RR: What kind of airplane?

WH: It was a King Air.

RR: King Air?

WH: It was a turbo-prop airplane.

RR: Oh, yes.

WH: And several of us went up there, including Paul Smith, our classified ad manager Dave Reddoch, and our circulation manager. Dickie Langford went with us. He had an ad agency, because we were already starting to develop a plan for advertising if we were going to do this. So we went up there, and they said, "It's incredible what happened when we started offering free want ads. About fifteen percent of our classified advertising was transient ads, and about eighty-five percent was commercial accounts."

RR: Were they in a competitive situation?

WH: Yes, they were in a two-newspaper market.

RR: Okay.

WH: Every place we went was a two-newspaper market. And they said, "So we gave up that fifteen percent of our revenues when we went to free want ads. We just forfeited it. But the amazing thing is — " They had about 70,000 circulation. Their competitor had about 130,000 — not exact numbers, but close.

RR: Yes.

WH: And they said, "Within about three or four months, we went to 90,000 circulation. And the <u>really</u> amazing thing was our classified revenues up." I said, "How did your revenues go up after you lost the transient ads?" And he said, "Well, all of a sudden, now we had all these free ads. We had all these bargains in the newspaper. People were looking for the bargains. So all of a sudden the auto dealers started saying, 'Hey, there's a lot of readership over there. Let's start running some ads in that paper.' They ran ads and they got good results. And they ran bigger ads.

RR: The auto dealers?

WH: Yes. So their classified revenues went up despite the free want ads. Of course, the free want ads were costly because of the newsprint and other costs in producing the ads. But by then it was becoming economical to produce the ads with computerization and cold type compositing. So we had picked up numerous ideas. From Roy McDonald — put out a bigger news hole with a big emphasis on local news. *Dallas Times Herald* published a morning edition outside their city zone. Winnipeg — do free want ads. Duplicating the big retailers' ads was an internally generated idea. We didn't find anybody who had come up with that idea. Running more color on the front page. And, at that point, we started thinking about this as an overall marketing plan. I went down and talked to my father about it. I said, "You know, I think, given the fact that this newspaper is failing, and we're about to close it down, what if we give it one last shot and try to really become an alternative to the *Gazette* and just see if that will work? And if it won't work, I, for one, would feel much better about saying, 'We tried everything. We tried it all'"

RR: Right. Was any thought given at any time, or was it even an option, to just sell the *Democrat* outright to the *Gazette*?

WH: We talked about that with Hugh Patterson. He said, "I might be interested in buying the paper." And we said, "Well, okay. How do we do that?" And he said, "First of all, you need to create a public monument to the fact that you've been a failure." I thought, "Okay, a public monument. Do I need to go build something down here in the Metro Center Mall?" [Laughs] I didn't really know what he meant. And I guess what he was trying to say there is that we not only had to admit to being a failure, but we had to convince the Justice Department that we couldn't sell the newspaper to anyone else. And if we could show them we couldn't sell to anyone else, then he would take it."

RR: Oh, that's right. That gets into federal law, doesn't it?

WH: That get into federal antitrust law.

RR: Oh, okay. So it's not just a case of dismissing the . . .

WH: Right.

RR: I see.

WH: But then we thought, "Well, if we did that — if we've got to do that in advance of him telling us what he'd pay us for it, then how do we know he'd pay us anything?" [Laughter] So maybe if he said, "Well, I'll pay you x-y-z if you'll go do that," we might have sold it. But he said, "No, no. First you've got to go prove that you've been a failure and create a monument to your failure.

RR: So you did have a conversation with Hugh about buying the paper?

WH: Yes. But he never told us, "I'll buy it for x-y-z dollars."

RR: Didn't get that far, then?

WH: Didn't get that far. But that would've been another way out.

RR: Well, were you all not willing to build a monument [laughs] to your failure?

WH: Well, it was more of a financial consideration. I mean, we were going to admit we had failed when we shut the newspaper down. It was more of a question of, "Well, if we prove that no one else would be willing to buy it, then haven't we just — from a negotiating standpoint with him — hadn't we lost any kind of leverage we would possibly have with him?"

RR: You may be in the position that he gives you $1.00 and good will, or whatever that phrase is.

WH: Right. So we really didn't think that was a viable way to proceed. Anyway, we came up with this plan. I went to see my dad and mentioned that I thought that this was something that we ought to try.

If we did, it was like, "We can try this for ninety days. [Laughs] And if it isn't working, we can say — or we can try it for six months. We don't have to set a time limit of three years on this."

RR: This was in late 1977?

WH: This was 1978. And I said, "To do it, we really need to convert to a morning publication out in the state. And that seemed to be the most dramatic thing we were considering doing. But part of the plan was to double the size of the newsroom and get more local reporting, and start covering the same stories the *Gazette* was covering. I said, "It's going to be costly, but it might work. And if it works, then we can resuscitate the newspaper." Anyway, that's what we did. We came up with this plan to do this. He gave me the go-ahead to start the morning edition.

RR: He must have swallowed hard.

WH: Yes, he did. So we started our plan in December of 1978, when we came out with the free want ads. That was the first thing we did. And Bob McCord and I sat down and talked about this. Bob McCord, I don't think, thought it wouldn't work, and he had good reason to think it wasn't going to work. I'm not saying he should have thought it would work. [Laughs] Everybody was skeptical. This was sort of an unheard of — there were little pieces of precedents all over, but no where had anyone done anything quite like this. It was a pretty bold effort.

RR: We should say free want ads does not cover the commercial ads in the classified section.

WH: No, it only covered individuals, and commercial accounts still paid the regular rate. Anyway, we started with the free want ads. Bob McCord told me, "You know, you need to get somebody in here who would really believe in this, who could think they could really challenge the *Gazette* and really put out as good a newspaper as the *Gazette*. They can't do it from day one, but eventually they could." And he suggested John Robert Starr. So I went to see Starr, and . . .

RR: He was in Memphis, wasn't he?

WH: No, he was in Knoxville at the time.

RR: Knoxville.

WH: I think he had obtained his master's [degree] in journalism and he was working on his Ph.D. So I went to see Starr and talked to him, and Starr was intrigued with the idea, and would even consider postponing — completing his Ph.D. to come back and do it.

RR: He had a background here — old reporter, Associated Press.

WH: Yes, and to me, if we could find somebody from Arkansas to do it, there was a big plus there. And I think McCord realized that, also. And Starr's credentials and having served as head of the AP bureau in Arkansas. Anyway, we hired Starr. The first year, 1979, we increased the news hole sixty percent [see Exhibit 7]. We went from about fifty people in the newsroom to about one hundred people in the newsroom. And we started running color every day. We intentionally tried to publish a few more pages than the *Gazette* every day. If they published a forty-page paper, we'd publish a forty-two-page paper. We had to guess what they were going to do because we didn't know [laughs] until we picked up the paper. So that way we could call ourselves Arkansas's largest newspaper. That was sort of a stretch. We weren't the largest in circulation, but we were the largest in page count. We were literally a larger paper every day. And we really had to promote anything we had because we didn't have much [laughs] to promote. And we were promoting the free want ads and running color, we really promoted the morning edition.

RR: But you did it all over your circulation area, not just out of . . .

WH: No, we started with a morning edition out in the state, just like the *Dallas Times-Herald* did.

RR: Out in the state? Beyond the metropolitan area.

WH: And we stayed with our afternoon edition in the Little Rock area until October.

RR: 1979.

WH: 1979. Right. And I went to a seminar in Arizona. Bob Starr and I went to that seminar, and Bob Douglas, and maybe it was Jack Meriwether. I can't remember. This seminar was called a marketing seminar, and they wanted you to send someone from the news side and someone from the business side, and they thought — the theory was the newspaper industry was this old, staid industry, and it needs to learn more about modern marketing to really sell circulation and advertising, and to learn some of the new things they were teaching in business schools. So the American Newspaper Publishing Association set up this one-week intensive marketing seminar, and it just happened that the *Gazette* sent some people the same time I went with Bob Starr.

RR: At the time, Douglas was the managing editor and Meriwether was the general manager at the *Gazette*.

WH: General manager. Right. So I went out there, and I learned — well, it really dawned on me at that point that the experience here in Little Rock in 1979 had told me that market really is about taking limited resources and maximizing those to try to accomplish some market objective, that no one has infinite resources. No one has infinite resources. And cases studies about Xerox or Exxon getting into the office equipment business. They were the best-financed and the biggest company and all, and they were miserable failures. Why? Because they didn't really realize to optimize — they had too many resources, basically. And you need to focus your resources to maximize what you're doing. And I sat out there and I thought, "That's what we're doing. We've got these limited resources. We've got so many pressmen, yet we're using half the pressmen to put out the morning edition. We're using half the pressmen to put out the afternoon edition, and we don't have enough good pressmen to put out either one of them. And that was just duplicated throughout the whole operation from production to circulation. And I thought, "We ought to just give up on this afternoon edition and then we can focus all of our resources on one edition, the morning edition." And we came back, and about a month or two later, in October, we switched completely to morning, because the morning circulation was what was going up out in the state, and afternoon circulation was going up some, but not much.

Anyway, that's when we became all morning. So that's where we were in 1979.

RR: And Starr had started out that year. Talk a little about Bob Starr and how he operated — what he did for the paper.

WH: Well, you know, Bob had a lot of common sense. He was a very down-to-earth, common sense kind of person. He had really good news judgment. He realized that even though we were doubling the size of the news staff, we didn't still have the resources that the *Gazette* had. We really had to stretch a dollar. We had to get the most out of our people. There was dead wood, and he was trying to clean out the dead wood, and trying to get more productive people who would write more. So in that sense he was great. And he also bought into the concept. He believed that we could do this, which was a lot at the time. So I was really pleased with him and what he was doing. Then I was at the [laughs] grocery store and I picked up a copy of *Arkansas Times* magazine, and there's Bob Starr squatting on the news stand with a knife in his teeth with a . . .

RR: It was a box, wasn't it? A news box.

WH: A news box — with a knife in his teeth, saying, "I'm Bob Starr. I'm declaring war on the *Gazette*." And, you know, I saw that, and it really <u>shocked</u> me. He didn't even tell me he was doing that. And that — first of all, that worried me. He did this and he didn't tell me he was going to do it, you know? And I thought, "This is — no, no, this is not an alley fight or a knife fight. We're not out to kill the *Gazette* or maim the *Gazette*. We're trying to compete. We're trying to save a dying newspaper. This is not a message we want to convey." I remember thinking — I was out jogging right after that, and I thought, "Maybe I need to fire Bob Starr. This is <u>crazy</u>. We've got this guy, and he's almost the perfect person for it, but then he goes off and pulls some stunt like this. He might do something <u>else</u> like this. But if I fire this guy — he's been there less than six months or a year — it hadn't been very long that he had been there — then who am I going to get?" Anyway, we had a pretty serious talk. "This is not good. You shouldn't have done this," et cetera. He was sort of contrite about it. Anyway, I didn't fire him. It was probably a good thing that I didn't, although my first instinct was to do it, because I think he was very helpful to us in trying to continue to improve the newspaper and trying to catch the *Gazette*. And if I had tried to bring somebody in out of Texas or Michigan or somewhere to do this . . .

RR: Lesson one: you need to know the people. Gannett never did bring an editor who knew a <u>thing</u> about the state of Arkansas.

WH: That's right. And Bob did. He knew Arkansas inside and out. Anyway, the next unexpected thing that happened with Bob Starr was a couple of years later, and by then we were making real progress in advertising and circulation. We were incurring huge losses, but by then our losses started coming down. Then he wrote a column. He had never written a column before, so I sent him a little note that day that said, "This is a good idea to write an occasional column. I think it would really be good if you could kind of help explain to our readers some of the dilemmas you confront as an editor every day — some of the trade-offs, why readers are more important than friends of the newspaper, and why we have to alienate some of our friends sometimes. Or some of the ethical concerns," et cetera. Then there was a column the next day and the next day and the next day. [Laughs] "What are you doing, writing a column every day? What is going on here. Nobody writes a column every day." And he said, "I can do this." And I said, "I didn't hire you to be a column writer. I hired you to run the newspaper." He said, "No, I can do both. I'll do the column in my spare time, and I can do it." He was a workaholic. He had an incredible capacity for work.

RR: Very fluent writer. I mean, he could really turn it out.

WH: He could. And he wrote in a very simplistic style that people in Arkansas could relate to. I remember reading *Where Main Street Meets the River* when I was in journalism school, and thinking . . .

RR: Hodding Carter.

WH: Yes. I thought, "What a powerful way of writing editorials. He writes in such a simple, direct way — everyone at Greenville can pick that up. Probably somebody with a sixth-grade education can read that." Starr is a little bit like Hodding Carter in his writing style, that people of Arkansas can really understand what he's saying. So I guess I really sort of acquiesced, and said, "Well, okay. Let's see how this goes." He'll get tired of it. He won't be able to write a column every day. He'll come over and say, "I'm going to go back to three times a week," or once a week and that will be fine. And I also had concerns about news versus opinion, because my father had taught me, and I really believed there needed to be a significant separation — a complete separation of news and opinion in the newspaper. Well, here's the managing editor writing an opinion column. So that kind of crossed the line. That worried me. That always worried me. That never stopped worrying me. So that was another problem. Anyway, he said, "No, I can manage that." So what has happened was I still had misgivings about it, especially when he continued to do it for a year or two years [laughs]. The thing that always worried me the most was about the news versus opinion separation. That's what concerned me the most. But, you know, what happened was his column got so incredibly popular, and we would do readership surveys, and it was one of the most popular things in the newspapers. And then it was kind of, "Well, how do we get rid of this thing if we wanted to?" [Laughs] So, frankly, it's a little easier to do something like that if you're the only newspaper in town than you are if you're a struggling newspaper that's trying to make a comeback. You need things that attract reader interest. And he <u>did</u> attract a lot of reader interest. And a lot of times I would disagree with him, but I thought, "Well, that's okay. I don't have to agree with him. He's not the editorial page. I expect the editorial page to agree with me.

RR: Would it be his political opinions or some other kind of . . .?

WH: Oh, yes. Any kind of opinions. Some of them were political. Some of it was his style. I thought he'd be too caustic. He was a more caustic kind of guy than I was. I sort of came to realize that and understand that. And, at times, I would say, "Look, I let people who work for us run an op-ed piece that totally disagrees with our editorial policy, and I think that's good journalism to let people do that. So to the extent that I disagree with you, you've got a right to say things I don't agree with. I think that makes us a better newspaper, a more credible newspaper, a more valuable newspaper. I do think that if lots of different opinions are expressed, than the truth has a greater chance of emerging." I really do believe in that. But occasionally I would have to go say, "Bob, you're just beating a dead horse too much. I think you'd be more effective if you'd write something else. I'm not telling you not to write about that. But you've written about it fifteen times. [Laughs] Maybe it's getting a little overdone." And he'd say, "Well, thank you. I appreciate that. You're probably right."

RR: His column appeared on the op-ed page?

WH: It appeared on the op-ed page.

RR: Did it always appear there?

WH: Yes, it always appeared on what we call the Voices page. And it was always at the top of the Voices page. Anyway, that was the other thing that . . .

RR: I remember he would write a column now and then about the *Gazette*. He'd write about politics and that kind of thing. And now and then he'd get one in about the *Gazette*. And some of those were caustic, as you say.

WH: Oh, absolutely. And I would say, "Bob, I think it's too self-serving. It doesn't help us to be writing about our competition. Obviously, people see that as a self-serving — you're better off when you're writing about the governor or you're writing about other issues. We really shouldn't be writing about our competition. I don't think that's a good thing to do." It didn't deter him much. And he really did believe — he was very, very competitive. That was very important to have an editor who was competitive. And he <u>did</u> want to beat the *Gazette*. He got every morning, and I thought that was a real criteria — if he got up in the morning and he saw a story that was in the *Gazette* that wasn't in the *Democrat*, it just made his stomach churn. It made <u>my</u> stomach churn, and I wanted it to make his stomach churn, too. "Boy, we got beat today. That shouldn't happen tomorrow. I'm going to go in and talk to that editor. I'm going to talk to that reporter. Why didn't we have that covered?"

RR: Yes. So how did the competition move along, then?

WH: Well, what happened is immediately our circulation just jumped. It went up significantly, and everything was helping. The morning paper, the free want ads. And all of a sudden the people in Arkansas responded — there were people who didn't like the *Gazette*. Maybe they didn't like their editorial policy. Maybe they didn't like it from years ago in 1957, or maybe they just didn't like — they felt they were a little bit arrogant, which they were a bit because they were so dominant. I'm not talking about news, I'm talking about the business operations and advertisers. All of a sudden, people started saying, "Well, hey! These people are <u>really</u> going to challenge the *Gazette*. They hadn't been challenged in the last four years under this new ownership. They had from 1974 to 1978. Now they're really trying to <u>challenge</u> them. We need to try to support them." So a lot of people started taking subscriptions. A lot of advertisers started coming in. "All right, we're going to give you guys a try now.

RR: You mentioned the *Gazette*'s liberal editorial [status?] which had been in place since the late 1940s.

WH: Oh, for a long time.

RR: How much of a factor was that in . . .

[End of Tape 2, Side 1]

[Beginning of Tape 2, Side 2]

RR: Yes. Their liberal editorial policy — we all knew — there's a limited readership [laughs] for a liberal editorial policy.

WH: Right.

RR: But I was wondering, is that something — is that a talking point for your ad people or is that a talking point for your circulation? Or is it something that you'd better leave alone and not say anything about?

WH: It was something — if it came up, if an advertiser said, "I don't like those guys. They're too liberal for me," or whatever, we'd say, "Well, you know, our editorial policy is conservative or more conservative," or whatever. And we didn't really push it, but if it came up and it seemed like it was advantageous — I imagine there were ad salespeople who tried to say, "Well, we <u>are</u> different." So it was not a driving force, and we didn't say: "Hey, the *Gazette* is liberal. The ownership of the *Democrat* is conservative. We think they're wrong. We want to advance our conservative agenda. That's why we want our newspaper to be the dominant newspaper in Arkansas." This was more of a business proposition. We <u>were</u> more conservative. We did disagree with them, but that was not the driving force behind the ownership. Now, it may have been a factor in marketing. And I'm sure it was among some readers because we would hear that from people. "We're glad we finally have a conservative voice that we can read in the morning.

We really didn't like an afternoon newspaper," or something like that. So our circulation was going up. But we started losing more money. We had lost more money in 1979 than we had <u>ever</u> lost. In fact, it drug our whole company into the red.

RR: Can you talk a little about the size of those losses during those years?

WH: We lost, I guess, $5 million in 1979. That's a staggering amount of money to lose. I mean, by 1977 I think we lost $500,000, and that was down from maybe a million our first year. So we really started getting the losses back down where they were more reasonable, and all of a sudden — but, you know, my dad was, like, "Good <u>grief</u>! Look at the amount of money we're losing." My mother would say, "Look how much money we're losing." I'd say, "I know! It just makes you ill to see that much money being lost. But look at the circulation. It's going up. Look at our advertising. It's going up. We're really having to force-feed this thing to resuscitate it. We don't have a big enough share of the market to be able to profitably operate, because we've got to add on enough expenses so we can go out and cover those same meetings the *Gazette* is covering — so we can have those delivery routes in Crossett and places where the *Gazette* delivers. And those are going to be unprofitable to do for now.

RR: For the benefit of future historians who might be reading this, it might be a good idea to explain how it's possible that your circulation was going up, your ads were going up, and you were still losing money.

WH: Because you had to add on so much additional fixed cost in order to compete with the *Gazette* — as I say, you know, to staff all the meetings you're going to have to make, you've got to pay that reporter to go cover that meeting. You aren't going to necessarily generate any revenue off covering that meeting, but as you cover it consistently and people recognize that, they say, "Hey, that's a little different than what I read in the *Gazette*. I'd like to subscribe to the *Democrat*." So there's a lag there. You have to add the fixed costs first before you can start covering those costs with extra and new revenues.

RR: And your ad rates were still low, and they've only caught up . . .

WH: Ad rates are still low because circulation is lower, and as your circulation goes up, you . . .

RR: But I assume that you're not, at this point, selling ads for a dollar an inch.

WH: Well, we started raising that. That was in 1979. Then we went back. [Laughs] The first time we went back, we said, "Okay, our circulation is up considerably. We've got to go from a $1.00 to $1.25 an inch." But they said, "That's a twenty-five percent rate increase. How can you go up so much on — " when they were paying $8.00 an inch in the *Gazette*. It was amazing. When I'd go through meetings like that, I thought, "We'll never make it. We'll never make it if they're going to raise this much fuss about a quarter increase." Anyway, there were a lot of dark days there when I had that same thought: "I don't know if we'll make it." Anyway, what happened after the first full year, 1979, was the reality of how much it was costing. We said, "We can't continue to lose this amount of money. We've <u>got</u> to get our losses down. Circulation is still up. Advertising is going up. Great. But this is just too much to lose, so we've got to raise our prices." When we became a morning paper, I think we were charging about $3.60 a month for a seven-day subscription. The *Gazette* was charging about $4.95, about $5.00 a month.

RR: Yes.

WH: So in early 1980 we said, "Okay, we've got to start raising prices. We're going to raise our subscription price from $3.60 to $4.25." And the circulation people here just about had a fit. "We can't raise our rates! We've gained all this circulation. People will stop taking the paper." And I said, "Well, you know, if they stop taking the paper and circulation goes back down, then we'll go out of business. But, you know what? If we don't raise our prices, we'll go out of business. So we don't have any choice. We have got to raise our prices, and if it works, great. And if it doesn't work, then there's no hope."

RR: Did you grow any ulcers during this time?

WH: Oh, absolutely! Anyway, we — no, medically, I didn't have any ulcers [laughs], I'm sure. Anyway, we raised our rate. And you know what? Circulation didn't go down. It kept going up. And the next year, 1981, we came back, and we said, "You know what? We've got to raise our prices again." We went from $4.25 to $4.95. We went up and we matched the *Gazette*. We're going to charge $4.95 just like the *Gazette*." Again, our circulation people protested, saying "We can't charge [the same rate] as the *Gazette*. The *Gazette* has been so dominant here for years, we'll never be able to do it." That's what our circulation people said. And I said, "Same reasoning. We have to." We went up on our prices, and again, circulation did not go down. People were willing to pay for a better-quality newspaper. And we're publishing a better newspaper every year — a more interesting newspaper.

RR: Hard news. [As opposed to feature stories, or "soft" news.]

WH: Yes, a lot of hard news. A lot of local news. Anyway, the real acid test comes up the next year. We said, "We've got to raise our prices again." The circulation people tell me, "We can't raise our prices. We'd be higher than the *Gazette*." And I said, "Guess what? We're going to charge more than the *Gazette*. We've got to raise our prices because we've got to have more money to compete." The various departments were always saying, "Well, we need to do this. The *Gazette* is doing that." Anyway, we raised our prices. We wanted to make so many improvements. In 1982 we did an offset conversion on our press. That cost us money. The *Gazette* was still printing letter press. We started printing by offset lithography. We started printing our Style section and some of our Advance section down in Hot Springs, where we could print them offset. And they were printed in advance like most Sunday papers. Now part of our Sunday paper was offset. The colors were fantastic. The *Gazette* didn't have it. All that costs money. We had to start getting more revenues — we just didn't have the money as a company. We were a smaller company than the *Gazette*. Our whole company was a smaller company than the *Gazette*. That's one of the myths that's been perpetuated, that we were a much bigger company than the *Gazette*. It's really not true. I can give you . . .

RR: You mean, in money figures, they were a bigger company than — even though you had the cable and all going?

WH: Right. Anyway, we said, "We've got to have more money," so we raised our price to $5.75 in March 1982. The *Gazette* was $4.95. Well, the *Gazette* wouldn't take that. They raised their price the next month to $5.85. And neither one of us lost circulation. So we realized at that point that there wasn't a lot of price elasticity there. People were willing to pay for a newspaper as long as it was a reasonable price. So as we started raising prices, our revenues started going up even more [see Exhibits 8 - 9 - 10 - 11 - 12]. And what you'll see is the *Democrat*'s revenues from 1974 until about 1978 were fairly flat. They were between about $5 million to $6 million a year [see Exhibits 13 and 14]. We really couldn't increase our revenues. The *Gazette*'s revenues were going up.

RR: You're talking about annual revenues?

WH: Annual revenues. From 1974 to 1978, the *Gazette*'s annual revenues increased over 50% [see Exhibits 15 and 16]. In 1978, the *Gazette* revenues were $22.5 million compared to $23.6 million for all our companies. And what happened in 1979 when we really came out with the free want ads and the bigger paper, our revenues started going up. And they really went up significantly. And not only did they go up significantly, but our share between the two newspapers went up. By 1978 our share of revenues was down to about twenty percent. Of course, you can see under our ownership from 1974-1978 our share continued to decline. But once we came out with a more competitive product, in 1979, our share of revenues went up [see Exhibits 17 and 18]. It went up almost every year. It went up every year until we had over half the advertising revenue. So raising our prices helped. The other thing that was amazing was on classified advertising, our classified revenues were, I think, in 1978, about $800,000 a year. Some six years later, by 1984, which was the year the *Gazette* filed a lawsuit against us, our classified revenues were up to almost $4.5 million [see Exhibits 19 and 20]. It increased more, and it was because of the free want ads. The free want ads brought tremendous additional readership to our classified section, lots more commercial advertisers wanted to run with us. We were able to raise our classified rates by larger percentages — than we could raise our retail rates, because our classified section really gained a lot of readership. And readers would even look in our classified section before they'd look in the *Gazette*'s classified section, even though the *Gazette* had more circulation. So the free want ads were tremendously successful. And I'm going to jump ahead here. An interesting thing, when Gannett bought the *Gazette* in 1986, the first thing they did was implementing free want ads. And that was interesting because a year later *The New York Times* — or maybe it was two years later — *The New York Times* wanted to do a big story on the newspaper competition in Little Rock. Their media writer was Alex Jones, but he was on a sabbatical doing his book at that time, I think on the Bingham family, but Albert Scardino was his replacement. He came down. And I remember seeing Bill Malone. He was the publisher of the *Gazette*. Bill and I were cordial and pleasant to each other, and we even had lunch with a group of people — we were in sort of a lunch group that got together once a month, mainly with minority people from around the community, to talk about minority issues. So having the two newspapers there was a plus. Anyway, Bill saw me, and he said, "Hey, did they come interview you for that *New York Times* article?" And I said, "Yes, they sure did." He said, "Yes, the interviewed me too. They wanted to take a picture of me. Did they take your picture?" I said, "Yes, they took my picture." He said, "They wanted me to hold a copy of that free want ads in that picture. Man, I wasn't about to do that." I said, "Really? That's what they did with my picture. I had the free want ads." And I thought, "You know, that's the difference. To them, free want ads were a necessary evil. To me, they had been part of our salvation." I believed in free want ads. I thought they were great for the community, great for the consumer, and they had certainly been great for our newspaper. And they didn't view them that way at all.

RR: Gannett didn't understand that.

WH: That's right.

RR: Now, that puzzles me. You'd think that as much business experience that they had in newspapers — I mean, they could have gone to Winnipeg. [Laughs]

WH: You know, it's interesting that the free want ads worked so well in Little Rock. During that time after we introduced them and were competing, and competing successfully against the *Gazette,* the afternoon paper in Colorado Springs came down — or maybe it was the number two newspaper. I'm not sure if it was the afternoon or morning paper. They were owned by the *Daily Oklahoman*. They came down and said, "Man, we're desperate. We want to see what you guys have done."

RR: Yes.

WH: And they went back, and they took our TV ads. And they did free want ads. They may have been an afternoon paper and became a morning paper. They did a lot of the same things we did. Free want ads never worked up there. I don't know why they didn't work. I just don't know. For some reason, they really worked in Winnipeg, and they really worked here. Eventually, the Winnipeg paper went out of business. So eventually it didn't work. We really believed in them, and we loved them. Anyway, I kind of got ahead of myself there.

RR: No, go ahead.

WH: So we were able to raise prices. By the time the *Gazette* sued us in 1984, we were up to $18 million in revenues. We had taken our revenues from $5 million to $18 million. That's why our share of revenues had gone up, because our revenues were going up faster than the *Gazette*'s revenues. The *Gazette*'s revenues still went up while we were competing with them, but they weren't going up as fast [see Exhibit 21].

RR: When did you go from loss to profit?

WH: Well, we had our first profitable month — what happened was when we started raising those circulation prices and were raising the advertising rates, our losses started coming down. So I said, "Well, this has a familiar ring. We've been through this in the mid-1970s. [Laughs] We got in and streamlined things. But now our losses were coming down because our market share was going up. We've got an efficiently run newspaper." So in 1984 we made our first profit. I think it was in April. And I think we made, after interest and depreciation — I think we were still paying interest on note — we had to pay for ten years — and I think we made $14,000. So we took that $14,000 and divided it by three hundred plus employees we had, and everybody got a check for about $42.00. [Laughs]

RR: That's pretty good.

WH: And it really — what was $14,000 to us when we had years when we had lost $5 million.

RR: I take it that $5 million might have been the peak of your loss, or your debt would be the word.

WH: Yes, the peak. So our losses started coming down. And then we made money again in May. We made our $50,000 in May, and that was after everything — depreciation, interest, et cetera. We made money two months in a row. And we publicized the fact — I mean, we put buttons on. "We're in the black." I've still got my button that says, "We're in the black." We were all so proud of that. Here, we had come from virtually going out of business to actually publishing a newspaper that was an alternative to the *Gazette*. It is still argued that the *Gazette* was a better paper than the *Democrat*, or some people might say the *Democrat* was better. But by then, many people felt like they really needed to read both papers. There were things in the *Democrat* that you just couldn't get in the *Gazette*.

RR: Was the circulation pretty close to the *Gazette*'s?

WH: No. We were still behind them. We were really getting close on Sunday. We were at about 80,000 and they were about 120,000 daily. But we almost caught them on Sunday. The closest we got — we were at 155,000 and they were 157,000, and that was in 1986.

RR: Then the lawsuit came.

WH: The lawsuit came in December of 1984.

RR: Yes.

WH: The lawsuit lasted until March of 1986. Of course, the *Gazette* sued us, saying we were trying to drive them out of business using predatory pricing, et cetera. And, of course, it was a jury trial, and the jury verdict was that, no, we had not violated any antitrust laws, and we won resoundingly.

RR: Did you have better lawyers? There was a feeling at the *Gazette,* I think, that their lawyers were just outlawyered. Is there anything to it?

WH: I'll tell you who the lawyers were, and history can make that judgment. [Laughs] The *Gazette* hired a really highly recognized law firm and lawyer in Houston named Steve Sussman. Steve had a huge reputation in antitrust. He had won a huge verdict, I think — a couple of hundred million dollars, maybe, which was huge at the time. [Laughs] At one point I remember reading in *Texas Monthly* after our lawsuit that Steve Sussman was asked — he was representing the Hunt family down there — so they said, "Steve, you're charging $600 an hour. The top firms in Houston and Dallas only charge $300 an hour. You're charging <u>double</u> what the top lawyers in Texas charge. How do you justify that?" He said, "I justify it because I'm at least twice as <u>good</u> as any lawyer in Texas." [Laughs] Anyway, Hugh Patterson and the *Gazette* obviously found some really highprofile attorneys for the case. Our attorneys were Williams and Anderson. Well, it was Phil Anderson. He was at Wright, Lindsey and Jennings at the time. And Phil is a great attorney, but Phil also had a great passion for what we were doing. He had been our attorney since 1974, for twelve years by the time the trial came. And Phil — not only was it a case — he absolutely was convinced that we were right, that what we were doing was pro-competitive, not anti-competitive, that it had increased competition between the newspapers in Little Rock. It hadn't diminished competition among the newspapers. So I think the fact that he felt so passionately about it helped. I think Phil is a better attorney than Steve Sussman. He certainly didn't have Steve Sussman's reputation.

RR: Or price per hour.

WH: But I think there is a tendency to say that if you lose a case, "Well, we got outlawyered." The facts of the case really hurt the *Gazette*. First of all, to be engaged in predatory pricing, it's generally a bigger company that does it to a smaller company. This was the case where the smaller company was supposedly using predatory pricing against the bigger company.

RR: Can you put dollar figures on those sizes?

WH: Yes, I can. In 1984, the *Gazette*'s revenues were about $32 million to the *Democrat*'s $18 million [see Exhibit 22].

RR: Okay.

WH: But first of all — and also, it's usually the company that's got — to predatory price, you usually have to have the dominant market share to predatory price against the people will smaller market share because they're a nuisance, and they're nibbling away and offering these cheap prices, and "We've got to get rid of them so we can solidify."

RR: Yes.

WH: It was a very maverick or unusual idea that someone with a smaller market share could predatory price against someone with a larger market share. So it was a very unusual theory of antitrust laws. We at the *Arkansas Democrat* never spent in any single year as much as the *Arkansas Gazette* spent to produce their newspaper. So if we were gaining market share, that's not the most remarkable thing. Companies gain market share against other companies all the time. The remarkable thing is that we were gaining market share and spending less money to do it. How can you spend less money and gain market share? Well, the only way you can do it is by being more efficient. And we were far more efficient than the *Gazette*. And we made better business decisions, and a lot of times made some better journalistic decisions than they did. So that's the remarkable thing. I'll copy this and I'll send it on in. [Looking at papers] Does this show 1979 through 1986? Let me give you one prior to that. Yes. Does yours say 1979 through 1986?

RR: No, this says 1974 through 1978.

WH: I'm sorry. Okay. Well, look at that and you'll see. That's the four years — that's kind of the first phase when we came in and bought the *Democrat*, from 1974 to 1978, I guess.

RR: What we're looking at here is operating expenses for the two newspapers during these years.

WH: Right. And you can see every year that the *Gazette* spent considerably more, and I think I totaled up down there over that four-year period what we spent, $26 million and they spent $64 million.

RR: Yes.

WH: Well, that just shows that — that doesn't really show anything other than the fact that the *Gazette* was the dominant newspaper. They were a far bigger paper than we were, and we really weren't very competitive. Well, here's what happened in the next phase. In the next phase, in 1979, we really became far more competitive. Our operating expenses jumped up — what were they in 1978? $7.8 million?

RR: Yes.

WH: And then in 1979 they jumped to $11.7 million. We had a lot of expenses to become a morning paper — free want ads, et cetera. The *Gazette* still spent $20.7 million.

RR: Just barely more than they had spent the year before.

WH: They really didn't take us very seriously. "This is not going to last" was the attitude. And it probably wasn't a bad idea at the time to think it wasn't going to last. Here's the next year. They outspent us $10 million. Here's the next year. They outspent us $10 million. Virtually, most years they outspent us — here in 1985 they only outspent us by about $7 million. But over this one, two, three, four, five, six, seven, eight-year period, they outspent us by $72 million. So the whole idea of the pred[atory] — this all came out in the trial — all this information. And the *Gazette* had had a pretty darn good year in 1983. In fact, they had such a good year they gave Hugh [Patterson, the publisher], maybe it was a $100,000 or $150,000 bonus. Here's a newspaper that says they're on the ropes. They've had a really profitable year and they give the publisher a big bonus. And someone expressed the fact that it must have been very frustrating for the *Gazette* or for the ownership of the *Gazette* to have realized that they had the whole Little Rock newspaper market at one point, and they could have had ninety percent of the profits. Or ninety-plus percent of the profits because they got one hundred percent of the profits from what they'd made last [laughs] — I mean, maybe it would have been ninety-six percent. They turned that down. We almost went out of business. And, literally, we did almost go out of business. But we didn't. And then, by the time 1984 had come around, not only were we not going out of business, we were making <u>money</u>. And we were gaining market share. And it looked like they'd <u>never</u> get rid of us now. So someone expressed the opinion that maybe what the *Gazette* wanted to do was win in the courtroom what they had not been able to win in the marketplace. So when they sued us for between $30 million and $133 million, our net worth at the time was, I think, $30 million or $40 million. And, of course, any judgment is tripled in antitrust. If they had won a judgment, then we wouldn't have been able to pay it. We would have had to file bankruptcy or sold our companies, or we could maybe have settled the case by agreeing to close the *Arkansas Democrat*. That's speculation. And I think maybe it was expressed by the *Gazette*'s attorneys at the time that —

"Well, I can tell you, if they don't win this lawsuit, they're going to sell the newspaper."

RR: I'm not sure I'm understanding — the pronouns tripped me up. Who said what?

WH: I think it may have been the *Gazette*'s attorney who may have told our attorneys — I'm not sure of this, but they may have expressed the opinion. Or maybe our attorney's interpretation was "It looks to me like they're trying to win back in the courtroom what they couldn't win in the marketplace."

RR: Yes.

WH: Without our attorney answering that, maybe their attorney then said, "Well, I can tell you this. If they don't win the lawsuit, they're going to — "

RR: If the *Gazette* doesn't win it, then they're going to sell.

WH: Yes. And it may have been that they just felt like, "Well, the *Democrat* is gaining ground on us, and eventually they'll pass us." Of course, at the time they still had 120,000 to our 80,000 daily circulation. There were other people there who didn't think it was inevitable. Gannett didn't think it was inevitable because they bought it. But it may have been because of their family situation. Hugh was getting older at the time. Carrick [Patterson] had been working at the paper, and maybe things hadn't worked out exactly as they had wanted there. Ralph [Patterson], I think, maybe had worked at the paper, but had gone to an ad agency. And maybe the management — this is typically why newspapers are sold is because of a management succession problem in privately held companies. So I think there may have been lots of reasons why it sold. I don't know.

RR: Looking at it from the *Gazette*'s point of view, was it a mistake to bring that lawsuit?

WH: I think it was. I think it was a mistake because they tried something in 1983 that worked for them, and that is that they tried to come up with an answer to free want ads. And their answer was three lines for three days for three dollars. So they really tried to get more private-party ads in the paper. And when they did their classified revenues started going up again. It had been kind of stagnant, but then they started going up. And we tried to belittle it and tried to compete against it. We said, "Three, three, three," who wants that when you can get "Free, free, free?"

RR: [Laughs.]

WH: But it was a pretty effective strategy. And I think instead of bringing the lawsuit, if they said, "Okay, we are going to roll up our sleeves and we're going to start taking these guys seriously, we're going to compete with them . . ."

RR: Do more things like this classified ad thing.

WH: Right. "And we're going to look at our own operation internally, and we've got to get more efficient. We've got to be more cost efficient." Because they had always been pretty friendly with the labor unions. I think that would have been a far better thing. It was interesting because there's perception and then there's reality. The two aren't always the same, but perception can be pretty important. And when the *Gazette* filed the lawsuit saying, "The *Democrat* is using all these tactics, and they're going to drive us out of business," and everything, people started saying, "Drive the <u>*Gazette*</u> out of business? The *Gazette* is an institution.

Nobody's going to drive them out of business! But if the *Gazette* thinks that, maybe we ought to hedge our bets. We've been running with the *Gazette* — maybe we ought to run some advertising in the *Democrat*. What if they <u>do</u> run them out of business, and we've only been running ads in the *Gazette*?" In a way, they gave us some credibility that we couldn't give ourselves except for that lawsuit.

RR: Sure.

[End of Tape 2, Side 2]

[Beginning of Tape 3, Side 1]

RR: This is tape number three with Walter Hussman and Roy Reed. We were getting along toward the Gannett era, but I think there are some things before it . . .

WH: I found these things. I wanted to show you this. This is [ ] our classified advertising revenues, and you'll see when we bought the paper in 1974, it went down. We were at about $800,000. This was the first year [1979] of free want ads. [See Exhibit 20]

RR: Yes. It really jumped up.

WH: Second year, third year. And by 1985 it had jumped up to $5.4 million.

RR: Yes.

WH: You know, the *Gazette* classified ads were going up — got up to $3.8 million. When we offered the free want ads, it did affect their classified revenues. They were still taking in about the same amount of money. And then I mentioned earlier here that in 1983 they started to really compete with us, and they came up with this three, three, three — look what happened to their classified revenues. It went from $3.4 million in 1982 to $4 million in 1983 to $5.6 million in 1984 to $6.4 million in 1985 [see Exhibit 20]. That's when they really started getting more competitive. And it paid off for them.

RR: Yes. That shows what could have been done.

WH: I think so.

RR: I mean, that's just one area of the newspaper business, but . . .

WH: And here's another thing I'll leave with you. You can see these things are labeled as defendant's exhibits. These are all public, things that were introduced at the trial. This is WEHCO Media. Now, this is all of our newspapers. This does not include our cable TV companies. And the reason this exhibit didn't include the cable companies — the cable companies — remember, I mentioned they had all those original franchises and they were building these systems? So we entered into this credit agreement with our cable TV company and the agreement with the bank was that, "Okay, as long as WEHCO Video has this credit agreement with the bank, you can't take any money out of WEHCO Video and ship it over to the newspapers. It's got to stay in WEHCO Video." So we didn't have access to any of the cash flow, revenues, profits or anything from our cable companies back in the 1970s, probably not until it was in the 1980s. In 1983 the cable TV company finally paid off all their debts. So, basically, when we bought the *Arkansas Democrat* in 1974, it was really our newspapers — we had access to revenues and profits from our newspapers, but not our cable TV companies. And then in 1978 when we decided to challenge the *Gazette*, we still didn't have access to the cable

TV funds, either. In fact, in 1980 the cable companies owed more money than they had ever owed. They owed over $5 million. And then the prime rate went to twenty-one-and-a-half percent. My mother said, "We're paying a million dollars a year in <u>interest</u>!" I said, "I know we are! It's staggering!" [Laughs] But all that was just kind of part our company that was carved out for cable TV that we didn't have any access to for funds for the *Arkansas Democrat*.

RR: By the time of the lawsuit in 1984, did you then have access to that revenue?

WH: Yes. By 1983 we had paid off our cable TV debt. I remember after Gannett bought the *Gazette*, we had access to our cable TV funds. I remember thinking if we hadn't had the cable companies helping, it would have been difficult against Gannett.   So this [see Exhibits 23 and 24] compares the size of the revenues of all of our newspapers, including the *Arkansas Democrat*, with the *Arkansas Gazette*. This is the *Arkansas Gazette*. You see their revenues were over $14 million, and our company was about $11 million in 1974 when we bought the *Democrat*. Then in 1978, when we decided we had to become more competitive, our newspapers had about $16 million in revenues. And virtually all that growth had been in our other newspapers. Little of the growth had been in the *Democrat*. The *Gazette* was at about $22.5 million and we were over $16 million. And you can see, they still were larger than us. But what happened is the *Democrat* revenues started really going up.

RR: Yes. In the early 1980s.

WH: Well, after we became more competitive in 1979, 1980, 1981 — and finally, in 1982, our newspaper company was slightly larger than the *Gazette*. [See Exhibit

24]

RR: Yes.

WH: But that was because the *Democrat* was increasing its revenues. So that's another exhibit that's available.

RR: Right. I'll put that in with the — that's a very interesting set of figures there.

WH: Yes.

RR: So then comes Gannett. 1986.

WH: Yes. Well, a very interesting thing happened in 1986, right after the lawsuit was over. We said, "We are so close —" Well, actually, we had made money in 1984. We didn't make money in 1985 because it cost us $1.3 million to defend against the lawsuit — attorneys, expert witnesses, and all these kinds of things. Plus a tremendous drain on my time, on management's time here. And we were now fighting a lawsuit in addition to waging a newspaper competition. But we were so close that when the lawsuit was over, we said, "What are we going to do now? Now is the time to move into the black. Now we can make money." So the best thing to do to get into the black is to eliminate your circulation discounts. And circulation discounts produce far more red ink than advertising discounts. And the economics of that is that newspapers price their retail price on seven-day home delivery at enough to cover the newsprint and the carriers' profit and the ink and just the out-of-pocket expenses. So you really don't make any money on circulation. Somebody will say, "Oh, you did that to sell more circulation." Well, if you sell a thousand extra copies in a day, it doesn't help your bottom line at all. If you do every day for 365 days, well, maybe you can add a bit more to your advertising rates, and that does help. Anyway, when you start cutting your circulation rates, you're cutting right into the bone, and you're bleeding. So we said, "If we'll just do away with the circulation discounts, that alone will put us into the black." We even had a big meeting over in our new production facility, which was the Terminal Warehouse building on Markham — we were buying new presses while all this lawsuit was going on. [Laughs] Presses ordered and everything. We told everybody, "We're eliminating discounts. This is going to put us into the black, and *Democrat* has a bright future because we're going to be profitable. We've gained a lot of market share, and hopefully we can gain some more market share. You employees — you've got a bright future here." Anyway, at the same time, the people at the *Gazette* were sitting over there looking at a very different situation. They were saying, "We're going to sell the newspaper. We've lost the lawsuit. We're going to sell the newspaper. What makes the most sense to sell this newspaper? What makes the most sense is to try to gain as much circulation, because the new owner is going to come in and look at the competitive situation and look at the circulation of the two newspapers as opposed to looking at the income statement, because they're going to come in and they're going to say, 'We're going to operate with our own people and our own policies. We can do our own income statement.' We know what a newspaper — Gannett knows what a newspaper this size — how to man it, how to staff it, what their operating costs are." And I think the *Gazette* probably was a little bit scared because we'd almost caught them in Sunday circulation. I think the first quarter of 1986 we were 155,000 on Sunday and they were 157,000 on Sunday, so that's as close as we ever got. They probably didn't have those numbers on March 26th, which was the day the trial was over [laughs], but they had them maybe a month or two later. And I think they said, "Let's start discounting circulation with a vengeance. And let's do it to get our circulation numbers up." So here are these two newspapers that made diametrically opposite decisions on marketing. We cut out our discounts to get into the black, they accelerated and started — they had never done a lot of discounting, but they really started doing a lot then in order to help sell the newspaper. Well, good grief! What happened is you report your circulation twice a year. So on March 31st, about a month later, you get the other paper's numbers, and it's on September 30th — about a month later, you get the numbers. So on October 31st, we got the *Gazette*'s numbers. And all of a sudden, we were within 2,000 of them in the first quarter of 1986. Now in the third quarter of 1996, we were about 15,000 or 20,000 behind [see Exhibits 25 and 26]. How discouraging! Well, the same day, October 31st, they announce they're selling to Gannett. [Laughs] I mean, it was a double-whammy. And we thought, "We really made a mistake cutting out all those discounts. We let the *Gazette* — here we were about to pass them, and now — " And now that Gannett is buying them, and they paid $51 million. They assumed $9 million in debt. Total consideration was $60 million Gannett. Gannett is not investing $60 million in order to have two newspapers in the Little Rock market. As long as the *Gazette* had a really low basis in their stock, and we had a low basis — we bought the

Democrat for $3.6 million. We had a very low basis. Our basis was definitely higher because we had lost a lot of money. But two newspapers — I still thought two newspapers could survive. I thought that if we could make money — we had about thirty-six percent of the revenues when we started making money in 1984 [see Exhibits 27 and 28]. Well, if we could make money with thirty-six percent of the revenues, maybe the *Gazette* couldn't make money with fifty-five percent of the revenues, but they could change their operation and they could be more efficient and not pay for all these costly work rules with the labor unions. We could both have fifty percent of the market and both make money. But when Gannett bought the paper, that changed the dynamics, because obviously they were not buying the newspaper to have one of two newspapers in Little Rock. They were buying the newspaper to have the whole Little Rock market. So at that point we said, "Oh, this is not going to work, trying to sit here and make money. These guys are going to try to <u>kill</u> us [laughs], and we've got to respond." We're now in something that we really never had when we were competing with the *Gazette*. We never had a circulation war. We really were mostly competing for advertising. We were mostly competing journalistically. We were competing for readership, but it wasn't a circulation war, and circulation wars are documented in the history of newspaper publishing where one newspaper says, "Get circulation [up] at all costs, no matter what it costs. Get circulation — drive your circulation higher than the other guy." And the *Gazette* had never done that, and we had never one that. But now with Gannett in the market — we talked to this fellow who had been in charge of a marketing seminar I told you about that Douglas and

I attended. Steve Starr — he was a brilliant guy, and he taught at the Harvard Business School. He later taught at MIT [Michigan Institute of Technology] Business School. He'd come down about once a year and we'd visit with him about "What do you think we're doing right? What do you think we're doing wrong?" And we called Steve Starr after they sold to Gannett, and [we?] said, "What do we do? What do we do now? Do you have any thoughts?" He said, "It's going to be a circulation war. They're going to do everything they can to drive their circulation so far higher than yours that the advertisers will give up on you and they'll have to go to them. So you've got to respond. You've got to gain circulation as fast as you can, any way you can. If people don't have the money to buy a subscription, take a can of corn, take a can of pork and beans [laughs], do <u>anything</u> to sell your paper." And we thought about that, and we said, "Of course, if you do that, it's a bloodbath. It's just red ink <u>everywhere</u> because now you're cutting back into that circulation price, and there's no profit margin as there is in advertising. You can cut your advertising rates twenty-five percent and you can still make money. But you can't do that in circulation." Anyway, we said, "Okay. We've come all this way. We've made all this progress. Now they're selling to Gannett. Gannett is going to force the issue so there's only one newspaper in the market. What are we going to do?" So we had to come up with a new strategy. One was to gain circulation as fast as we could. And we said, "You now, this is going to be terrible financially. We've got to forget about the financial part. We've got to dive back into huge losses again." And I'm sure

Gannett — see, Gannett had a unique advantage here in Little Rock they'd never had anywhere else. They were able to buy a newspaper, and they were able to get all our financial information from the trial.

RR: Ah, yes.

WH: And they were able to see it. And I'm sure when they looked at that, they said, "Look at this guy. He bought the newspaper in 1974. He cut his losses for several years as an afternoon paper. Then he incurred larger losses when he went to the morning edition. Then he started cutting those losses. He got into the black and was pretty close to breaking even. Now we're coming in and he's going to have to plunge back into a sea of red ink. That's going to be really demoralizing." They were right. It was <u>really</u> demoralizing. I remember May [laughs] of 1987 — boy, I think we lost maybe a million dollars in one month. We had never lost that much money. It was just — it made me <u>sick</u>. I was driving, and I just started beating on the steering wheel. I thought, "This is <u>terrible</u>. I can't believe that this has happened. We've gained all this market share, and now we're losing all this money. I don't know if we can afford to lose the kind of money we're losing. Maybe we're going to lose all we have gained just because maybe they can outspend us." We weren't so worried about being outspent, but maybe they can do things in circulation that would force us to lose so much money that we can't stay in the competition. But, you know, it was really interesting. One of the things we did — we sat around and we scratched our heads. We sat over there in the conference room, and we said, "What can we do to compete against these guys? We can say we're Arkansas's largest newspaper. That's what we've been saying since 1978, since we published two more pages or four more pages than the *Gazette*. They can take that advantage away from us tomorrow. They can publish <u>ten</u> more pages than we publish on any day." So we changed. We dropped "largest" and we were "Arkansas's newspaper," by deleting the largest. And we said, "That's sort of what we came up with. The only thing they can't take away from us is that we're locally owned." We said, "Well, that's a great comfort. We're locally owned. Most people could care less who owns the newspaper. They just care about the <u>paper</u>." And we said, "Well, maybe so, but it's an advantage, and we've got to use it for whatever it's worth." So we said, "Well, we'll take this piece by piece. What are they going to do?" We started hearing they were going to offer free want ads. We said, "What can we do? There's no way we can stop them from offering free want ads. We've kind of had it to ourselves, you know? Although the *Gazette* has been more competitive with the "three, three, three," they still hadn't had free want ads." So we sat around and we said, "You know, we can't beat them on price. They can't beat us on price. How can we beat them on free want ads? The only way we can beat them is on service. Okay, how can we beat them on service? Well, let's see. Somebody calls up and wants to place a free want ad. We need to make it more convenient for people to place a free want ad. We need to open up, instead of at 8:00 in the morning, we need to open up at 7:00 in the morning. And instead of closing at 5:00 in the evening, we need to close at 7:00 in the evening. And we need to start taking free want ads on Saturdays so it's more convenient when people are at home, they think about placing an ad, they'll call us on Saturdays. Maybe the *Gazette* will do that and maybe they won't. What do we need to do? We need to be able, because we're going to have longer hours, we need to hire more people in free want ads, and we need to staff it so that we have more telephone lines, and we have more computers and more people to answer the phone. So that when people call us, they don't have to wait a long time before somebody answers the phone, and when somebody answers the phone, they don't have to wait very long before they're talking to a human being. That's what we're going to do. The *Gazette* may match that. They may not." Well, that's what we did, and it was interesting. Paul Smith, our general manager — his secretary would call the free want ad number at the *Democrat* every hour on the hour and call and see how many times the phone rang before somebody answered, and write that down. Then they would write down how many seconds or minutes they had to hold before an operator came on to take their ad. As soon as she wrote that down, she hung up. She called the *Gazette*'s number. She wrote down the same information. I got that report every day. And, you know, it was three seconds at the *Democrat* before you got somebody on the phone. One or two rings, three seconds. The *Gazette*, three minutes, four minutes, five minutes.

RR: Ah.

WH: So over time, people stopped calling the *Gazette* to place their free want ads. And their free want ads volume kind of started dropping off. So that's just kind of an example of how we tried to compete against them.

RR: Yes.

WH: Look at every single thing they do and we do. We can't compete against them on price, so we've got to compete against them on service. And how are we going to measure whether we are successful or not, competing against a Gannett-owned *Gazette*? How will we measure that? It's got to be on circulation. That's what they're going to try to measure. That's what we're going to try to measure. We're not going to look at the bottom line and say, "That is the measure of success." It's going to be tough on advertising, too, because there's going to be lots of discounting going around.

RR: Yes.

WH: On circulation, the *Gazette* had been discounting before they sold to Gannett. Then Gannett came in with a vengeance with discounting. They came in with contests — Wingo-Zingo games — all that kind of stuff, you know? And we did that for a while, too. And finally we said, "This is crazy, this Wingo-Zingo stuff. We've got to give up on that [laughs]. We'll never be able to compete with them on that." That's kind of how it went the first couple of months. I'll tell you something, from a personal standpoint — it's really interesting. I don't know whether it's that important to the competition, but it was interesting, because I had my fortieth birthday on January 5th, and they closed on the purchase of the *Gazette* December 1. They had owned the *Gazette* a month. Actually, they announced it on Halloween, October 31. I had my birthday, and was out in Colorado. I came home a few days later, and I got this kind of cramping in my stomach. I'd wake up at, like, 4:30 or 4:45 in the morning with intense pain in my stomach. I thought, “What is this?” I’d get up and go to the bathroom. And that didn’t seem to help. I’d go back to bed, and the pain was still there. So one day I got up, and I stayed up and started kind of walking around, and went into the kitchen and started watching some TV. The paper wasn’t there yet. [Laughter] And the pain kind of went away. I thought, “Well, that’s interesting.” So I ended up realizing that the only way to get the pain to go away wasn’t to get back into bed, it was to stay up. So I would stay up, and I would start going down to the Y[MCA], and I’d run three miles. I was always a runner, but I’d usually do it at lunch. So I got in the best physical shape I’ve ever been in my life because I was going down every morning to the Y and running. I couldn’t figure out what this was, so I went to see my doctor here. He said, “You ought to go to Mayo Clinic.” That was after he ran all sorts of tests here at St. Vincent’s. So I went to the Mayo Clinic to try to figure out what was wrong. I went up there, and they said, “What has changed in your life?” And I explained it all. And they said it was stress. “You must have an ulcer. But we don’t see an ulcer. We’ve done tests for an ulcer. We don’t see one, but it’s got to be — we’ve seen this happen before. It’s stress.” I thought, “I’ve never had physical ailments from stress in my life, but I’m forty now,” which seemed old at the time [laughs]. “Maybe that’s the problem.” I had this cramping until September. In April, we adopted twin daughters. So now I had twins in April. And, of course, you know, when our son came along three years earlier, Ben would get up and give them a bottle in the middle of the night, and then the next time it would be my turn, and we’d kind of trade off. But twins! [Laughter] You woke up every night. And I’m getting up at

4:45, and I'm thinking, "This is quite a year." And then we were starting to lose more money than we've ever lost — horrendous losses. So 1987 was a tough year. I went to see my doctor — my neck started bothering me, so I went to see the doctor in September. He got my chart out. He said, "I guess that pain went away in your stomach." I said, "Oh, no. No. I've got it every morning." He said, "Let's do this other test." I guess we didn't do a test for giardia.

RR: A what?

WH: Giardia. It's a little bug that gets in your system. And it turns out giardia was something that people in Vail, Colorado — it was kind of a notorious place to pick it up. I read an article in *The New York Times* one time — the two worst places in the world to get giardia — Vail, Colorado, and St. Petersburg, Russia. The sanitation system was terrible over there, but in Vail a lot of the runoff from the mountains and the animals got down into the water system before they did something about the water system there. I had giardia the whole time, and they gave me pills for ten days, and it was gone.

RR: Ah.

WH: But I just remember 1987 was a nightmare.

RR: You say that your losses were greater than ever. How big did the losses get during that competition with Gannett?

WH: You know, we've never disclosed our losses, but I will tell you that the *Gazette* lost $108 million. That number has been out there.

RR: Under Gannett, you mean?

WH: Under Gannett, the *Gazette* lost $108 million.

RR: Right. Yes.

WH: The *Gazette* had never lost money until 1986. You know, they had the cost of the lawsuit. They had the cost of the discounting in 1986.

RR: Yes.

WH: So they did lose money, and they sold the paper in December of 1986. That was their first unprofitable year. I think they made money all through the Depression [see Exhibit 3].

RR: Can you say without disclosing whether your losses were comparable?

WH: Yes, I can tell you that our losses were significantly less, but they were in the tens of millions of dollars. They were huge. They were horrendous. And, really, they were bigger for us than they were for Gannett because Gannett was such a bigger company.

RR: Oh, sure.

WH: It was a much bigger sacrifice.

RR: They had an entirely different way of thinking about newspapers, as I saw it. I'm reader and an old newspaper man. And suddenly the sober *Arkansas Gazette* becomes — well, flashy . . .

WH: Right.

RR: How do you compete against that?

WH: Well, easily. [Laughs] That was the best thing that ever happened to us, really, when they started doing that. What happened was, of course, technically, we bought new printing presses. Incidentally, when we decided we needed a production facility — our circulation was just getting too large — we had been printing here behind this building. We bought the old Terminal Warehouse building for $1.8 million, which was about $8.00 a square foot. We converted it into a production facility with the tax-exempt financing so we could — we were still losing money. We had to be economical. We bought new printing units, but we bought an old press. So the printing press was three storeys high. The lower storey is the reels. The upper storeys is the superstructure, and all the printing units are on the second storey. Well, the quality is determined by the printing units. So we bought new printing units. We were able to finance those. And we bought this old press out of the *Wall Street Journal* in Palo Alto, and we got the substructure and the superstructure — we bought it for, like, $500,000 — we paid $4.2 million for the printing until. So we ended up at about $5 million — I think we bought a folder out of the *Boston Globe*. We put this thing all together. The superstructure and the reels don't have anything to do with the printing quality. So we invested about $5 million for what was essentially a new press. So we were printing offset. So the *Gazette* decided they better buy a new press, too. Hugh made the decision to buy the press before they sold the newspaper, so the press was on order. So there press came online maybe a year after ours did — six months or a year.

RR: Yes.

WH: So now both papers had the ability to print quality color reproduction. So that was one of the reasons they went to color. But it wasn't just color. What happened is Gannett, at that time — *USA Today* was their flagship, and it's still their flagship, I guess. But *USA Today* is different now than it was back in 1986. And the idea then was shortened stories — making more feature stories — put more feature-oriented stories on the front page. And we would do focus groups, and we would get four different groups of people in and let them be interviewed. And we would sit behind a one-way mirror and listen to this. And the four groups would be the *Gazette*-only readers, the *Democrat*-only readers, the people who read both, and the fourth group would be the people who read neither. And we asked them different questions. And the whole idea was, "What do we need to do at the *Democrat* to get more readership, to get more circulation? What would it take to get you to read the *Democrat*?" The *Gazette*-only readers — "What would it take to get you to read the *Democrat*?" The answer was: "Nothing could get me to read the *Democrat*. I'm not going to read the *Democrat.*" These people only read the *Gazette*. "I don't want to read the *Democrat*." You talk to the *Democrat*-only readers. "What would it take to get you to read the *Gazette*?" I mean, we're thinking they're going to try to take our subscribers, but the answer was: "I'm not going to read the *Gazette*. I like the *Democrat*. I only have time to read one newspaper. I don't need to read the *Gazette*. I don't <u>like</u> the *Gazette*. It's liberal. It's — whatever." Or the *Gazette*-only readers would say: "I don't like the *Democrat*. It's conservative." So we'd talk to these people who read both. "Have you ever thought about only reading one newspaper? Why do you read both papers?" "Well, there's valuable information there." "Which paper do you read first? If you ever dropped one newspaper, which would you drop? Why would you drop it?" et cetera. Then you'd ask the group that took neither. "Why don't you read a newspaper? What would it take to get you to read a newspaper?" et cetera. Well, one of the things we learned in all this research is that the *Gazette*-only readers — there was virtually nothing we could do to get them. And we'd say, "Well, <u>surely</u> there's something the *Democrat* could do to get you to take the *Democrat*." And they'd say, "Well, if the *Gazette* threw the newspaper on the roof for a month and I couldn't get it, maybe I'd take the *Democrat*. Or if they totally change the *Gazette*, its format, its content, maybe we would take the *Democrat*." You know, the *Gazette* totally changed under Gannett. It didn't even <u>look</u> like the *Gazette* anymore. It seemed like a totally different newspaper. Well, as a result, maybe readers would now consider taking the *Democrat*. Gannett did for us what we couldn't do for ourselves by changing the *Gazette* so fundamentally that it put those readers in play where they would consider reading our newspaper. If Gannett hadn't changed the *Gazette*, I don't know if we would have ever caught them in circulation.

RR: Yes.

WH: You know, with everything we were doing, I don't know if we would have ever caught them. But they ran on the front page the mayor of Eureka Springs in a bubble bath, you know? And it just horrified *Gazette* readers. It horrified me. I was a *Gazette* reader. I thought, "This doesn't belong on the front page of the *Gazette*. I've been reading the *Gazette* all my <u>life</u>! This doesn't belong there." And I always picked up the *Gazette*, and I would say, "Whether I agree with those editors down there or not, this is what they think is the most important thing that has happened in the last twenty-four hours in the <u>world</u>, and in Little Rock, and in Arkansas. And whether I agree with them or not, this gave me a guide to the news." Or even if I totally disagree with the editors down there and the way they play the news, it still gave me a guide. It's a valuable thing to have that. The changes just disoriented readers. They would say: "Well, what's <u>important</u> anymore? I can't pick up the *Gazette* and tell what's important anymore." And, of course, the *Arkansas Times* ran that cover story called "Mellow Journalism," and they had Walker Lundy on the front. He was the editor brought in and he instituted a lot of this feature-oriented copy. And it was a total disaster for them. It was a huge benefit for us.

RR: Yes. So what did you all do to respond to that change?

WH: We just went more to hard news than before. We said, "If they're going to forfeit that field, we're going to take as much of it as we can."

RR: Yes.

WH: And we went harder with our news. We made sure we had six or eight stories on the front page every day. And sometimes they'd run huge stories . . .

[End of Tape 3, Side 1]

[Beginning of Tape 3, Side 2]

WH: . . . John Brummett ran a column, and they ran it on the front page. And I thought, "Whoa!" I mean, even back in the early years when we owned the *Democrat*, Hugh Patterson said publically, "I don't want any conservative columnists in my newspaper because I don't <u>believe</u> in that. I only run <u>liberal</u>

columnists. [Laughs] Let the conservative columns run in the *Democrat*." And my dad had brought me up — because we were the only newspaper in towns like Texarkana and Hot Springs — "We need to run a balance of liberal and conservative." Even in those days, we never ran a column on the front page.

RR: Yes.

WH: I thought, "These guys have really lost their way." What happened is we continued to compete for about three years, and in 1988, Gannett got frustrated. And they thought, "This was not supposed to last into the third year." I guess it was really the second year. I mean, this had gone on — they had bought it in 1986, had it all of 1987, and we were about in the middle of 1988 — so over a year and a half that they've operated the paper, and they were frustrated. They said, "This battle was supposed to end by now, and we're losing money. We're losing lots of money. And our market share [laughs] is not going up. These guys are actually gaining more circulation than we're gaining." And I looked at that every quarter. "How much did we gain? How much did the *Gazette* gain?" That's what gave me the encouragement to continue, despite losing all this money. This is my assumption: Gannett said, "We've got to put this thing in fast-forward."

RR: Yes.

WH: We've got to bring this thing to an end, because we've got to get this thing down to a one-newspaper town." So they said, "What we're going to do is we're going to cut the subscription price from $2.00 a week to 85¢ a week." That move alone cost them an extra $7 million a year in operating losses — that one move. So we sat down, and we said, "Wow. We charge $1.80 a week. We charged slightly less than the *Gazette*, I guess, at that point. We said, "All right, if we match that price, that's going to cost us maybe an extra $5 million a year. We can't lose another $5 million a year." And getting back to the earlier days when we told our circulation people, "We've got to raise prices," and they said, "We can't do it," and I would say, "Well, what are we going to do? Our people worried that just because of the lower price, subscribers were going to gravitate over." And I said, "Well — " We finally came up with a solution. How much more can we lose? We can sustain another $1 million or $2 million in losses, and that was about it. They said, "Okay, instead of putting in the discounts, let's add another $2 million a year into marketing — hire more door-to-door salespeople. Hire more telemarketing people." We were already delivering the newspaper on the porch. We were already giving better service. That was already showing up in gains. People who took both papers would read ours first because ours was on the porch and theirs was in the yard. So we put that money in marketing, and, to me, that was a classical, fortunate decision in marketing, or how to use limited resources. It was far more important to spend your money on direct marketing than it was on discounts. And, in a way, the discounts ended up hurting the *Gazette*, not helping them. Their circulation did get a bump initially. I think maybe that one year we lost some market share for a few quarters, and they were gaining more circulation than we were. After they cut their circulation prices 57 percent across the board in 1988. But then we started gaining more. And it hurt them. I remember sitting on an airplane. I was thinking, "How do we respond to this from a public perception, advertising wise." At that point we were having such large circulation gains, we were the fastest-growing newspaper in the country percentage-wise in the ABC Audit Reports. So we had a sign that we created, a rack card. And the *Gazette* had a rack card that said, "Now only 85¢ a week." And our rack card said, "America's fastest-growing newspaper." So we ran newspaper ads that said, "A tale of two papers," and they showed the two racks standing side by side, and under ours it said, "America's fastest-growing newspaper," and on theirs it said, "America's cheapest." So what ended up happening, in people's perceptions, well, when they cut their price, it's like people started saying, "Well, you know, the *Gazette* just isn't as good as it used to be." So I see why they cut their price. They needed to cut the price because it wasn't as good anymore.

RR: Yes.

WH: It was interesting. I think it ended up really hurting them by cutting their price. It not only hurt them financially and accelerated their losses, but I think it helped us gain some *Gazette* readers that we couldn't get otherwise.

RR: Even the Gannett people now acknowledge that they handled things poorly here. When did they start seriously thinking, "We're going to sell the paper."

WH: I think what happened was that we passed the *Gazette* in circulation on Sunday, in the first quarter of 1990, it was the first time in thirty years that the *Democrat* had more circulation than the *Gazette* [see Exhibit 29 and 30]. And I felt that if we could ever pass the *Gazette* in circulation, it was over because I felt like Gannett's only hope was to come in here and drive their circulation so it far exceeds ours, and if they couldn't do that, it was hopeless for them to have the only newspaper in town. So that's why the circulation was so important. So when we passed them in circulation . . .

RR: On Sunday.

WH: On Sunday. They were still ahead of us daily.

RR: That's a strong signal, isn't it, passing them on Sunday?

WH: Really strong. Absolutely. Sunday is the biggest advertising day of the week. So we had a party. We said, "We've got to celebrate." So we had a party for over 1,000 people. We invited all of our advertisers. We had it down at the State House Convention Center and had a big band and a big outdoor dinner. We wanted our advertisers to celebrate that they helped us get where we were. But I think that also sent a message. "Gosh, these guys at the *Democrat* — " We really wanted everybody to know we passed them in circulation. Sometimes it's hard to get that message out to ad salespeople if you run an ad. So we kind of drove the point home with the party. I think that's when they must have started thinking about it.

RR: When did you start talking to them about maybe buying them out?

WH: They called me in — Now, let's see. It was in the spring of 1991 that they called. I remember Doug McCorkindale called me and started talking. We had bought — that's right, it was in the spring of 1991. We had bought a vacation home in Vail, Colorado, in early 1991. And I paid more for that house than I paid for my house in Little Rock, which seemed crazy at the time. Anyway, we did. We had young kids and we went skiing every year. My wife and I bought that house. Anyway, Doug called, and he said — and I had been to San Francisco recently and played in a golf tournament. And Doug said, "How have you been?" I said, "Fine." He said, "You been doing much skiing lately?" I said, "Yes, I've been skiing." He said, "Yes, I think I'd heard you were out in Vail. You been playing golf lately?" [Laughs] I thought, "These guys are keeping <u>tabs</u> on me." And it started dawning on me, you know, "I bet they know about that house in Vail."

RR: McCorkindale is a Gannett guy?

WH: Yes, Doug McCorkindale was the CFO [Chief Financial Officer] for Gannett. And I thought, "You know, it's a matter of public record. I bet they know what I <u>paid</u> for that house out there. And I bet they're thinking, 'We have to squeeze this guy financially, and here he is having these lavish parties, and he's buying houses in Vail, Colorado. This guy doesn't look like somebody who's being <u>squeezed</u> to me.'" [Laughs] This is my interpretation. I've never asked Doug if that's what he thought. I know him, and he's a fine fellow. He's really a fine person. Anyway, I think they said, "Maybe we need to do something." So that's when we first started talking, and then they were — "

RR: They called you?

WH: They called me. Yes. So we had a number of conversations. One time we looked at doing a three-way trade with a Little Rock TV station, and that kind of all fell apart. I flew over to Savanna, Georgia. The first time I met with the people at Gannett was in Savanna, Georgia, in an airplane hangar, in someone's office there. And we talked about it.

RR: What time of year are we talking about?

WH: That probably would have been in May of 1991.

RR: Yes. So the first contact must have been fairly early in the year, then?

WH: Yes, probably in April.

RR: Yes.

WH: I think I remember buying that house in January, February, or March. So then we kept talking, and in July we went up to Washington and we ended up signing the agreement then. And I remember after we signed the agreement, Doug McCorkindale stood up and put his hand out, and he said, "Congratulations. You fought a tremendous battle, and you won, and I have a lot of respect for what you did there." I thought, "Gee, I've been thinking of these guys as the enemy and the evil guys all along." I was really impressed with gesture.

RR: Yes. What was his position?

WH: He was the chief financial officer.

RR: Okay.

WH: He was the number-two guy in the company. Now he is the CEO [Chief Executive Officer] of the company.

RR: Okay. So by July, then, it was settled.

WH: Yes. And, of course, it was the oddest situation because for us to acquire the *Gazette* — we couldn't acquire the *Gazette* if anyone else would acquire it. The antitrust laws are such under — this is not a statute that has been passed. This doesn't have anything to do with the failing newspaper act that was passed in

1970, the Newspaper Preservation Act. This has to do with a Supreme Court decision that was handed down in a shoe case where one shoe company wanted to buy another shoe company. It went all the way to the U.S. Supreme Court, and the law was determined and set by the Supreme Court. They ruled that one shoe company couldn't buy the other shoe company because they're competitors. And if this shoe company says they're going to go out of business — the only way they can sell to their competitor is not just to say, "We're going to go out of business," because who knows if they're really telling the truth? But if they try to sell their shoe company to other people and if literally nobody will buy it because they've obviously been losing lots of money, maybe losing market share — their prospects look so bleak, no one will buy it — then, in that case, if they can prove that, then the other shoe company can buy them because there's going to be an elimination of competition anyway. If no one will buy them, and they're going to close down, they're going to eliminate themselves as a competitor. So that's the same thing as if their competitor buys them. That's the only way. And I guess that's maybe what Hugh Patterson was thinking when we talked to him back in 1977. I didn't understand that part of the antitrust law at that time. Anyway, the only way we could buy the *Gazette* was if no one else was willing to buy the *Gazette*. And the theory is that if someone will come in and buy the *Gazette*, even thought it's losing lots of money — if they'll operate it for a month or two, that prolongs competition for another month or two. Any other buyer is more suitable than the other competitor.

RR: Yes.

WH: I think it's a valid antitrust concept, and I think it's a good law. So when they talked to us about buying the *Gazette*, of course, we couldn't buy it unless it was going to be approved by the Justice Department under this antitrust law. So the *Gazette* would have to be offered for sale, and if no one else was willing to buy it, then we could. So what that mean is if we were going to buy the *Gazette*, we couldn't see any — I mean, we had seen all their financial statements up through 1986, through the trial, but we couldn't see any of their financial statements for the last five years. We couldn't get a list of assets. It's sort of like you're buying a pig in a poke.

RR: Yes.

WH: Well, it wasn't that bad because we knew what their assets were. We knew the biggest asset was — well, their second-biggest asset was that printing plant. They had two brand-new printing presses, very state-of-the-art, modern equipment. That was important. Very important.

RR: Yes.

WH: The biggest asset they had was the name, the *Arkansas Gazette*.

RR: But did they try to sell it?

WH: They did. The Justice Department forced them to try to sell it. They knew they had to anyway. They would have tried to sell it. They made them hire two different brokers. Not just one broker, but two brokers.

RR: Yes.

WH: They tried to sell it nationally and they tried to sell it in Arkansas. And, of course, by the time they were trying to sell it, they were losing $29 million a year.

RR: They were glad to [laughs] shuck it off, I expect. Yes, that's got to be — in-house, they probably have a whole section on, "How not to run a newspaper," [laughs] based on this experience.

WH: And the other thing — we had to borrow $68 million to buy the *Gazette* assets. We had never borrowed anything like that in the history of our company. And this was sort of a make-or-break deal for our company. And I remember the banker sitting down and saying, "Let's see, the *Gazette* lost $29 million last year. You lost millions. You're going to buy their assets, and you're going to become profitable. How are you going to do that? [Laughs] Because we're getting ready to loan you $68 million, we want to get our $68 million repaid. So tell us how you're going to do that." So we had to come up with a plan, and this plan had to work or I was going to lose the *Gazette* and the *Democrat* and everything we had worked for all those years. One of the things we couldn't do was accept the liability of buying the *Gazette* and operating it for a while.

RR: Could or could not?

WH: Could not. If you buy assets, you don't take on any liabilities.

RR: Yes.

WH: You either buy assets or you buy the stock in a company. You can buy the stock and you take on all the liabilities. But we didn't know what their liabilities were because we weren't privy to them because the Justice Department wouldn't let us see any of their financial statements and contracts. Anyway, the people got mad at us — people like the *Arkansas Times* — "Well, the *Gazette* didn't publish a final edition." The *Gazette* could have published a final edition. Gannett could have operated the paper one more day and let them do that. But I was not willing to buy the *Gazette* and operate it for a day because if I had bought the *Gazette* and operated it for one day, I would have been buying the stock in the *Gazette*, assuming all their liabilities, and not knowing what those liabilities were. I was only willing to buy their assets. Anyway, that's kind of a minor footnote. So it was a Herculean effort. And I had grown up admiring the *Arkansas Gazette*. I thought it had been a great newspaper, and I wanted to perpetuate their name. And that's why we changed the name of the newspaper to the *Arkansas Democrat-Gazette*.

RR: If you'd elaborate just a little more on that fine point. If you had operated it for a day, you'd have been obligated to take their liabilities, not just their assets. Why is that? How is that?

WH: Well, if someone had come in and said, "You operated the *Gazette*, so you <u>owned</u> the *Arkansas Gazette* as an entity, so you assumed the liabilities even if you only had them for twenty-four hours, you have them. And now we're going to sue you." We had a defense against that. We said, "We <u>never</u> operated the *Arkansas Gazette*. We never published a single edition of the *Arkansas Gazette*. We published the final edition of the *Arkansas Democrat*, and the next day we published an edition called the *Arkansas Democrat-Gazette*.

RR: And this was part of your satisfying the bankers that you knew what you were doing?

WH: Right, and satisfying the bankers that we weren't picking up any of their liabilities. And it also happened at the most inopportune time because the Justice Department — we asked, "Would you please call us, call Gannett if you decide to approve this? Would you call us and give us some advance notice?" Because I was starting to think about, "How do we publish that first paper?" And I was thinking that it would be easier to do on a Tuesday or a Wednesday, but if we had to publish a Sunday. So they decided, and they didn't call either one of us. They issued a press release [laughs] that they had approved this. And then it was on a Friday afternoon. And now we're confronted with getting the Saturday paper out, which was okay. But on Saturday you've got to be producing a Sunday paper.

RR: Oh.

WH: It was an enormous production problem doing that. And it took all of our efforts to focus on that. Of course, we delivered two copies to everybody the first couple of days. It was the only way we could do it to keep the *Gazette* carriers delivering it and paying them to deliver the paper. There was no other way to do it.

RR: Yes.

WH: I'll tell one other thing that I remember about right after they approved it. They called, and I was over in the law firm because they were waiting on the money to transfer, and that's when the closing happened. And I still hadn't been able to look at any of the *Gazette*'s financial information. [Laughs] And I sat down as soon as it closed, and I said, "Okay, I want to see the balance sheet and the income statement." So the attorneys brought them in there, and I looked at it.

And I said, “This is amazing.” The *Gazette* — if you look at it, property, plant and equipment — the original cost of what they paid for every asset they were still using — presses, computers, buildings, everything — was $49 million. If you looked at the *Arkansas Democrat*’s balance sheet, the property, plant and equipment — the original cost of everything we were using was $20 million. They had $49 million in assets and we had $20 million in assets [see Exhibits 31 and 32]. Then I looked at the operating expenses. And here in 1990 we had spent $46.9 million and the *Gazette* had spent $57.2 million. They had outspent us again by $10 million. They were spending $10 million more a year in annual operating costs. We never spent as much as the <u>Gazette</u> in any year. In fact, during the 17 years we competed with the *Gazette*, they outspent the *Democrat* by $160 million [see Exhibit 33]. During the 12 years we competed with the Patterson ownership, the *Gazette* spent $110 million more than the *Democrat* [see Exhibits 34 and 35]. During the five years we competed against Gannett, the *Gazette* spent almost $50 million more than the *Democrat* [see Exhibits 36 - 37 - 38]. They had $49 million to our $19 million in assets, yet we were gaining market share on them every quarter, every year. Well, not every quarter, but every year. And I thought, “How did we do this? These are not dummies. This is Gannett — they’re knowledgeable people. How did we do this?” And I thought, “The only thing that could have made the difference is the people. The people at the *Arkansas Democrat* made the difference.” I couldn’t figure out any other answer. And it wasn’t to demean the people at the *Gazette* — the *Gazette* had some really fine people working there. But it was, like, the people at the *Democrat* — if we lost the newspaper competition, they were going to lose their jobs — including a lot of the upper-management people. If the *Gazette* lost, they got transferred. So I think the people of the *Democrat* had more at stake. In any organization you might have people working at seventy-five percent of capacity. You might have people working at ninety percent of capacity. I mean, the difference between that is <u>enormous</u>. And I think people at the *Democrat* were so motivated that I really gave them the credit. And I think they deserved the credit.

RR: Yes. Well, how has it worked out?

WH: I think it has worked out well. Of course, it's sad to go from two newspapers to one newspaper. Obviously, newspaper competition is great. It really keeps people on their toes. Competition is great. It's great in the newspaper business and it's great in every other business. Would Little Rock be better served by competition? Probably so. Most markets would. Is newspaper competition realistic in America today or twelve years ago? No. You can look — it has been a steady decline. The world has changed and there are lots of other ways people get news. Television has gotten much more dominant. Direct mail — we still don't have Kroger's advertising in the *Arkansas Democrat-Gazette*. They go with Advo here in this market. So the loss of competition is sad, but it has worked out well for us. It has worked out well for the community, too, I believe, because I think we publish a quality newspaper. As evidence of that — we pumped a lot of money into the news operation. These are the newsroom expenses. [Looking at papers] I did a presentation — there was a presentation ten years after the merger of the papers or after the *Gazette* closed or however it was styled, and I explained how much money we had invested in our news operation. Ten years later we were spending more than double what we were spending when the *Gazette* closed. We have won lots of national journalism awards. I feel like we publish a real quality product, journalistically. We still serve the entire state. We have the lowest subscription prices of any regional newspaper in Arkansas or any border state. We charge less than $12.00 a month. Nashville is over $15.00. Memphis is over $17.00. Austin is over $19.00 [see Exhibit 39]. So we have low prices. So even though we're the only paper, we keep our prices low. Our advertising rates are not low, but they're very typical. They're very average for a newspaper our circulation size. The advertisers are not getting taken advantage of because they're not competition in the market. We don't make as much profit as Gannett makes, but we do still make — we've been profitable every year since 1992. We made some money in 1992. And we make a respectable profit.

RR: Would you care for a percentage?

WH: Well, we've never really disclosed that, but . . .

RR: Yes. I understand. Yes. I was just thinking, the big media companies — if they don't make twenty percent, they're really not happy about that.

WH: Well, most newspapers would make somewhere — now, that would be a pre-tax number — after taxes, more like ten percent.

RR: Yes.

WH: And, of course, what we try to do — we try to attain that profitability, but we feel like if we can do it by keeping our subscription prices low, our advertising prices average, and doing it with high journalistic quality and spending more in our newsroom than newspapers typically do — we do spend far more in our newsroom than the average newspaper our size does.

RR: Yes.

WH: Then we're attaining those profits out of the efficiency of our operation, and we have earned those profits.

RR: Yes. Let's talk about the journalism thing for a minute. I guess by way of conclusion — I hear two opposing, you might say, points about the *Democrat-Gazette*. The first is what a good job you all do covering the news. Everybody admires your news [hole? hold?], the amount of space you devote — with a few contrarians out there taking an opposite point of view, most people say you do a fair job, that it's objective.

WH: Yes.

RR: Carrick Patterson, it will interest you to know, speaks very highly of the way you've — your journalistic standards in the news operation. The other thing that I hear routinely is the conservative nature of the editorial page and how it seems to them unbalanced. I don't know — you've got — that's not entirely true.

WH: Yes.

RR: You've got Gene Lyons on Wednesday, and some of the other columnists. How do you respond about the last part? Maybe another way to put it is what was the reason that you chose not to keep at least some of the liberal columnists when you got the *Gazette* — that came with the *Gazette*?

WH: Yes.

RR: I could name — just some of the old *New York Times* liberal columnists, for example, but not to be that specific. But what was your judgment on why not to run those people?

WH: Well, first of all, we still try to maintain a significant separation of news and opinion, and I think that's really important. I think that's something newspapers need to do. Having said that, if a newspaper does that, I don't fault them on whether they're conservative or that newspaper is liberal. In fact, I think the views of the newspapers should reflect the views of the owners. That's kind of an odd concept now with so much corporate ownership, you know? [Laughs] But that's what it should reflect. So if somebody criticizes us because we're conservative, we'll then I'll say, "Well, that's not really a valid criticism. It would be just like criticizing us because we're liberal. Maybe they don't agree with that. But I think the ownership has the prerogative and also the responsibility to express whatever views they believe. As far as the balance, we have tried really hard to have a balance. Of course, we had John Brummett, and John Brummett was certainly more liberal than most of our local columnists. We tried to keep John Brummett, and John Brummett left us. We tried every way we could to keep him, but he left. So I don't feel like it's our fault that he left because we still — we'd have more balance if he was here. We tried to keep him here. Gene Lyons, who obviously disagrees completely with our editorial policy [laughs]. Gene is somebody I've really depended on to make sure he stays in our pages because I think we do need balance. And, actually, I've even encouraged and allowed people who write for our newspaper, if they want to write an op-ed piece and disagree with our editorial policy — we give them the freedom to do that.

RR: Yes.

WH: We routinely run letters to the editor that are critical of our editorial policy or even critical of me personally. Bob Starr once said, “The amount of journalistic freedom people have around here — it’s just unbelievable.” And I feel like we do. Probably the first few years that we operated the *Democrat-Gazette*, we may have had more of those old *New York Times* columnists — Anthony Lewis — some of those columnists who were in the paper. We hired Paul Greenberg to become the editor of the editorial page, which we felt was a coup for us. He’s really a great writer and a great thinker. And when we did, I told him that we will sit down and talk about various issues. I said, “Ultimately, if we disagree, I think the editorial policy needs to reflect the ownership of the paper. But I know from visiting with you that we really agree on most things.” Actually, what I did was I sat down and I read thirty days of the *Pine Bluff Commercial*. I read every editorial he wrote for thirty days. And then we met. I said, “I’m going to give you a lot of latitude on how you operate the editorial page and op-ed page — what columnists you want to run, what syndicated cartoons, the letters policies and things like that. As long as we allow criticism of ourselves, and basic good journalistic standards.” There has been a problem, I think, in the newspaper industry in recent years — for at least the past five years or six years — and several people have talked about it. There had been a lot of new conservative columnists that have come along that are very good writers, and there haven't been as many new liberal columnists.

RR: Yes.

WH: And that's a problem for us. I don't take any great glee in that, even though I'm more conservative than liberal. But we would <u>like</u> to have better liberal writers.

RR: Let me ask about a specific issue. Were you comfortable, I guess would be the word, with Paul's commentary through the Clinton years — on the Clinton presidency? He took a lot of heat for this. What about you personally?

WH: Well, I've known Bill Clinton since before he ever ran for office. I met Bill Clinton back in 1974. I think the first time I met him was in Hot Springs, and I sat down and talked to him for a couple of hours in Hot Springs. So I always pretty much from the very first . . .

[End of Tape 3, Side 2]

[Beginning of Tape 4, Side 1]

RR: We were just talking about Bill Clinton. You said you had known him since 1974.

WH: Right. And I felt like we disagreed philosophically, you know, mainly on the role of government. He was very optimistic about what government could do and how government could help. And probably [laughs] my attitude had been shaped by my dealings with the FCC, that the government really was a problem [laughs] — to deal with them. Anyway, we sort of disagreed on that. So, you know, when Bill got into politics and was attorney general and was governor, we generally disagreed with a number of his policies, but it was all based on policy and what his policies were, and it was more of a politically philosophical difference. And there were always lots of rumors about his character. And we just never really thought that was something that we really needed to delve into, and it appeared to be a lot of rumors. Anyway, I guess that's the way our newspaper editorialized Clinton. When Paul became editor or the editorial page, he had some fairly strong opinions about Bill Clinton's character. He felt like he had some real character flaws, and one of them had to do with honesty. And, in fact, he told of an experience where Bill had basically not been honest with him. He told him something that just absolutely wasn't true, and he knew it wasn't true. Anyway, really, I guess, Paul felt early on that the character problem was not just your usual character problem, it was a major problem for somebody who was going to be governor or president of the United States or whatever. So, really, I think if you went back and someone read all our editorials, they would see that's where the questions about Bill Clinton's character started — after Paul became editor of the editorial page. So I think that Paul has probably proven that he was correct in being concerned about his character, you know, over time. But we have taken a lot of heat for it. A lot of heat. And it's been a very unpopular position in Arkansas to take. People in Arkansas still generally like Bill Clinton. A lot of people don't, but a lot of people do, and I think a majority do. And there was a lot of pride in the fact that somebody from Arkansas was elected president. If you're in the newspaper business and you say what you believe, people are going to get upset with you from time to time. They have, they do, and they will.

RR: Let me touch on one other matter, if you've got another five minutes or so.

WH: Sure. Sure.

RR: I meant to ask you about Orville Henry. How significant was it that Orville came to work for you?

WH: I think that it was very helpful. I think it was more helpful to us that he made the switch from the *Gazette* to the *Democrat* than it was that he brought his content to the *Democrat*.

RR: Yes.

WH: Because by the time he made the switch, Orville was probably not at the peak of his career. Those years had been earlier. But he still did have a following, and there were people who probably started reading the *Democrat* because Orville was in there. So I think that helped. But it certainly gave the impression to a lot of readers that, "You know, gosh, I haven't been reading the *Democrat*, but maybe I <u>need</u> to be reading the *Democrat*. Even Orville Henry has moved."

RR: Yes.

WH: It probably helped us as much from a business standpoint as it did as a journalistic standpoint.

RR: Did you get any kind of a circulation boost that you can trace to Orville?

WH: Not a lot. We were gaining circulation then, and that's why I say I think it helped us more in perception than it did in circulation.

RR: Yes. As I understand it, the move came about — well, did you make the first move for him, or did he make the first move?

WH: No, we received a call.

RR: As I understand it, Jack Stephens was kind of an intermediary.

WH: Yes, Jack Stephens called me.

RR: Yes. It worked out for that. Yes. In fact, Orville — we managed to interview Orville not long before he died.

WH: Yes, it was [barely?].

RR: He talks at some length about making the move and how it came about.

WH: Yes. And it was interesting. Orville — when, I guess, Jack called and said, "I think that Orville might be interested in talking to you." That's really about all Jack did. He didn't provide any financial assistance [laughs] or anything. But when I sat down will Orville, Orville said, "Here's what I want. I want to go to work for you. Here's the amount of money I want. I want a contract that's this long. If you're willing to do that, I'll go to work for you."

RR: Yes.

WH: And it was cut and dried. I mean, there were no negotiations or anything. [Laughter] "Okay," I said, "Throw us in that briar patch. We'll do it." [Laughter]

RR: Let me touch on something that relates to the question about Clinton. Arkansas obviously is becoming a more Republican state. Is that just the flow of history nationally, or did the *Democrat-Gazette*'s position on political matters help move that along?

WH: First of all, I'm not really sure that Arkansas is becoming more Republican. In fact, there's an argument I think that could be made that maybe it was becoming a little more Republican and now it's moving back more in the Democratic party fold. But I think part of the reason it was moving more Republican was that virtually every state in the South was becoming more Republican. And Arkansas was really one of the last states to be affected by that, and maybe affected less by it than most other states in the South. So I think it was more of a regional trend of what was going on politically. I think that was happening regardless of the newspaper here. I think it's interesting because Arkansas had one Republican and one Democratic senator, and they had two Republican and two Democratic congressmen, and now they've only got one Republican congressman and they don't have any Republican senators. So I'm not sure the Republicans — I think the Democrats are doing a fairly good job of reasserting themselves in Arkansas. [Laughs]

RR: On the John Robert Starr thing, there was one other question I wanted to ask. He became a very forceful presences — a <u>strong</u> personality. Looking back on it, can you think of anyone that the *Gazette* had who might have gone head-to-head with John Robert as a columnist or as a forceful presence?

WH: I don't know of anyone who could have done that. He was a pretty unique person. It was interesting because we would do readership studies, and the readership study would say that the *Democrat* is more pro-business than the *Gazette* in their editorial policy — more friendly to business, more friendly to economic development in the state than the *Gazette*. That was the perception. And then there was this perception that the *Democrat* was the champion of the little guy, and the *Gazette* was more a friend of the [savvy?]. It was kind of an odd mix, you know?

RR: Yes.

WH: And I think it was because of John Robert Starr. And I think he was a populist champion of the little guy.

RR: Yes.

WH: And he wasn't afraid to take on the governor, and he even criticized judges, which is something that's hardly ever done in newspapers. So it was like he was fearless — he'd take on anybody, you know, if he felt it was wrong.

RR: Yes.

WH: But I don't know — there may have been somebody at the *Gazette* who could have done it. Maybe Brummett might have been somebody. That day they ran his column on the front page, I thought, "Wow, maybe they . . ."

RR: "Here it comes." [Laughs]

WH: "Here it comes, " or something. [Laughter]

RR: Can you think of anything we haven't covered that you'd like to talk about before we wind it up.

WH: No. Some of the things people have said to me, "The most surprising thing to me after the *Gazette* closed was this." And <u>this</u> — the most common thing people say is, "Porch delivery. I can't believe you continued porch delivery." It's not what I thought they would say. But that is an example of what drives us as a newspaper. We are the only daily newspaper, as you know, in Little Rock, and the only statewide newspaper — well, there aren't many statewide papers left in America, and we are only statewide newspaper in Arkansas. And we feel like we have an obligation to provide great service at a very reasonable price, and provide high journalistic standards and valuable journalistic content. So if we do that, then we feel like that's fulfilling the real mission of what we need to accomplish.

RR: Yes.

WH: And we see that that gets rewarded to us in numerous ways. Right now, the *Arkansas Democrat-Gazette* — if you look at Pulaski County, which is — essentially, the city zone is Pulaski County — if you look at every newspaper in the United States, in a market with 100,000 households or more in their city zone. We have the highest Sunday penetration of any paper in the United States in the America in the city zone, and it's about seventy-one percent. That means seventy-one percent of the people — the circulation in Pulaski County divided by the number of households is seventy-one percent [see Exhibit 40]. So, you know, we don't make as much profit as we could. We don't make as much profit as Gannett would make if they had ended up with the newspaper in this market. But, you know, there are two ways to reach economic value. Two ways to reach economic value in owning a common stock, in owning a business, in owning a house, in owning anything — one is the current income you take out of it, and the other is the market value. So some people buy common stocks that pay <u>no</u> dividends, but the stock keeps going up. And they get their return that way. Well, I don't get as much current income off the *Arkansas Democrat-Gazette*, or our company doesn't, in profits, but I think I have a far more valuable newspaper with seventy-one-percent penetration than, say, the *Jackson Clarion-Ledger* that's got forty-four percent penetration [see Exhibit 41]. I may never monetize or put that economic value in the bank and write a check on it, but it's there.

RR: Yes.

WH: It's real economic value. So I think what we do is economically rational.

RR: You've take the lead in an interesting part of our newspaper business, and that is training. I have here a piece in a newsletter of the [Knight Foundation?], I guess it is, that you provided for me. And it describes [ ] traveling campus that goes to various newspapers, small and large, and helps train — this is obviously an investment in the future. Can you talk a little bit about that program and how you see this newspaper five years from now, ten years from now? What's the future going to look like?

WH: Well, you know, it's interesting. If you look at any business enterprise in America, or probably anywhere, really — you can have two companies that are very similar, but one is doing extremely well and one's not doing very well. They can be in the same kind of market. Or you look at two competitors. Look at Southwest Airlines and American Airlines. One of them is profitable and one of them is [hemorrhaging?] cash. But they're in the same business. What makes the difference? Well, what I learned in the competition with the *Arkansas Gazette* is the people make the difference. Not the guy who owns it, not the CEO [Chief Executive Officer] — they can make some difference, but the <u>people</u> make the difference — they are really — there are so many more of them. They make so many more decisions. They're so much closer to the customer to what the reader reads than I do. I can set broad policy, or maybe even suggest a story for tomorrow. But the people make the difference. How do you improve the people? Well, again, it's the people operating at ninety percent instead of seventy-five percent. I think it made a world of difference in the competition here. So that's why I really believe training is important. If we have a person who's trained versus a person who's not very well trained, they're going to write a much better story. They're going to edit it better. They're going to sell advertising more effectively. They're going to manage their carriers better, and throughout the whole operation. It came my turn to become president of the Southern Newspaper Publishers Association about the time this program got started. And, of course, we decided to change the program. But the typical training was just going off a cliff. Well, you probably read the article — and so this was a totally knew paradigm and a totally new way of delivering training. And I realized that this is such a terrific thing for the industry, and even the big companies that may not send as many people — but they hire from the smaller newspapers, and it's sort of a food chain. And they're going to benefit greatly. So I really felt it was a great idea, and I went around and spent a lot of my year calling on people trying to get them donate. And they could understand the economics. "It costs $30 a person to train somebody in a day? That's fantastic. That's better, quicker, cheaper than any other way you could do it." But I think the newspaper industry has got tremendous challenges ahead of it, and the best way to address those challenges is with better-trained people.

RR: Yes. What about your own paper? Looking ahead, is there someone in your family that you see maybe taking your place someday?

WH: Well, my kids are all young. My son is twenty and my daughters are seventeen. They've all worked at the paper. In fact, my daughters are working here now. This is their first job at the newspaper. They're working over in the newsroom. [Laughs]

RR: They're working in the newsroom?

WH: Yes. And my son has worked over there. He has worked in photography. Now he's working in circulation and door-to-door sales.

RR: Oh.

WH: Anyway, I don't know if they'll end up in the newspaper business or not. I really do believe that there's real value to private ownership of newspapers. I believe there's a real value to family ownership, that families often embrace and endorse important journalistic concepts. Important concepts like keeping the newspaper's interests first, not your own personal interests first. We have for years paid out ten percent of our net income as dividends, and put ninety percent of the money back into the business. That's all part of "put the interest of the newspaper first." We've got plenty of money taking out ten percent. We don't need more than that. Anyway, I think when you look at some of the great newspapers in the country, they've been family-owned. You look at *The New York Times* — family ownership. *The Washington Post* — family ownership. The *Louisville Courier-Journal*, when it was a great newspaper, was family ownership. The *Gazette* was a great newspaper for many years — family ownership. So I think that's a valuable thing. I think the community has more to gain if somehow I can get my family interested [laughs], and if they can do a good job. The community has more of a vested interest in it than my kids, because they may go off and become great doctors or great attorneys, but if this newspaper ends up being sold and has some other kind of ownership that doesn't have those same values, the community will not be as well served.

RR: They've got some time — your kids, I mean.

WH: Yes.

RR: They don't have to decide right now.

WH: That's right. That's right.

RR: Walter, this has been <u>very</u> worthwhile.

WH: Well, good.

RR: Thank you. Thank you very much.

WH: Well, I've enjoyed it.

RR: We'll take it from there.

[End of Interview]