

Forbes

Koch On Rumors He'll Buy The L.A. Times

By: Daniel Fisher – March 12, 2013

The Hollywood Reporter has joined with L.A. Weekly in reporting that Charles and David Koch are considering buying the Los Angeles Times, or at least financing a bid by San Diego industrialist “Papa” Doug Manchester. Manchester bought the San Diego Union in 2011, and L.A. Weekly says the conservative businessman is interested in buying the L.A. Times or the entire Tribune Co. newspaper division.

These are all unverified rumors, but the Kochs are hardly squelching them with the vehemence they’ve put down, say, Politico’s claim that Charles Koch is “rebooting” his political operation in the wake of his failure to unseat President Barack Obama in the last election. In a statement, Koch spokeswoman Missy Cohlmya said the company is “constantly exploring profitable opportunities in many industries and sectors.”

“So it is natural that our name would come up in connection with this rumor,” Cohlmya said. “We respect the independence of the journalistic institutions referenced in today’s news stories, but it our long-standing policy not to comment on deals or rumors of deals we may or may not be exploring.”

Sounds like a good old-fashioned non-denial denial. But would Charles Koch really want to sink money into the troubled media business? Warren Buffett already took a pass on Tribune Co., which has a \$3 billion market cap. And the Kochs have their hands full turning around another paper company, Georgia-Pacific, which they bought for \$21 billion in 2005.

On the other hand, Charles Koch has shown a willingness to spend tens of millions of dollars to counter the liberal economic and political philosophies that prevail at most big-city newspaper editorial boards. He co-founded the libertarian Cato Institute (before breaking with the organization in a management struggle), and has pumped more than \$200 million into his Charles G. Koch Foundation which distributes publications to students about the merits of economic freedom and democracy.

Koch’s grandfather, Frederick, also ran a newspaper in tiny Quanah, Texas, although his father never showed any interest in publishing as an investment and neither has Charles. Koch tends to invest in industries that convert raw materials into higher-value products, with complicated operations that require a lot of engineering talent and constant innovation in production methods. He likes to apply capital to problems in order to reap outsized returns — such as the enormous profits he’s earned from his refineries in Minnesota and Texas over the years, which are scrupulously maintained and designed to

handle a wide range of crude feedstocks. Compared to refining, newspaper publishing offers plenty of opportunities to expend capital but not much opportunity for profits.

Liberal critics are horrified at the idea of Charles Koch being able to buy his ink by the barrel, but both the L.A. Times and the Chicago Tribune have histories steeped in conservative politics. The Tribune was long controlled by “Colonel” Robert McCormick, who famously once ran a headline “Moscow Orders Reds In U.S. To Back Roosevelt,” and opposed the U.S. entrance into World War II because of his virulent hatred of the British monarchy.

The L.A. Times had a fairly liberal editorial policy in its ascendancy in the 1960s and 1970s under Otis Chandler. But a previous publisher, Harrison Gray Otis, so angered labor leaders with his opposition to unions that John McNamara of the International Association of Bridge and Structural Iron Workers dispatched his brother James to blow up the Times building in 1910.

L.A. Weekly pegs the price of the Tribune newspaper group at about \$600 million. By my calculations, that’s a little more than Charles and David pull in dividends from Koch Industries each year — after reinvesting 90% of the profits back in the business. So no question they can swing it. But after a career of successfully investing in businesses that make money, I am not sure Charles Koch wants into this one.