Forbes explores sale of family-run media business

REUTERS

THE Forbes family is exploring the sale of its eponymous magazine title and Web publications, becoming the latest prominent media family to bow to the realities of an industry in turmoil.

While it follows signs of digital growth at Forbes Media, best known for its rankings of wealthy individuals, a sale for an estimated $400 million to $500 million still amounts to an acknowledgement by its founding family that a traditional publishing business is a tough one to turn around.

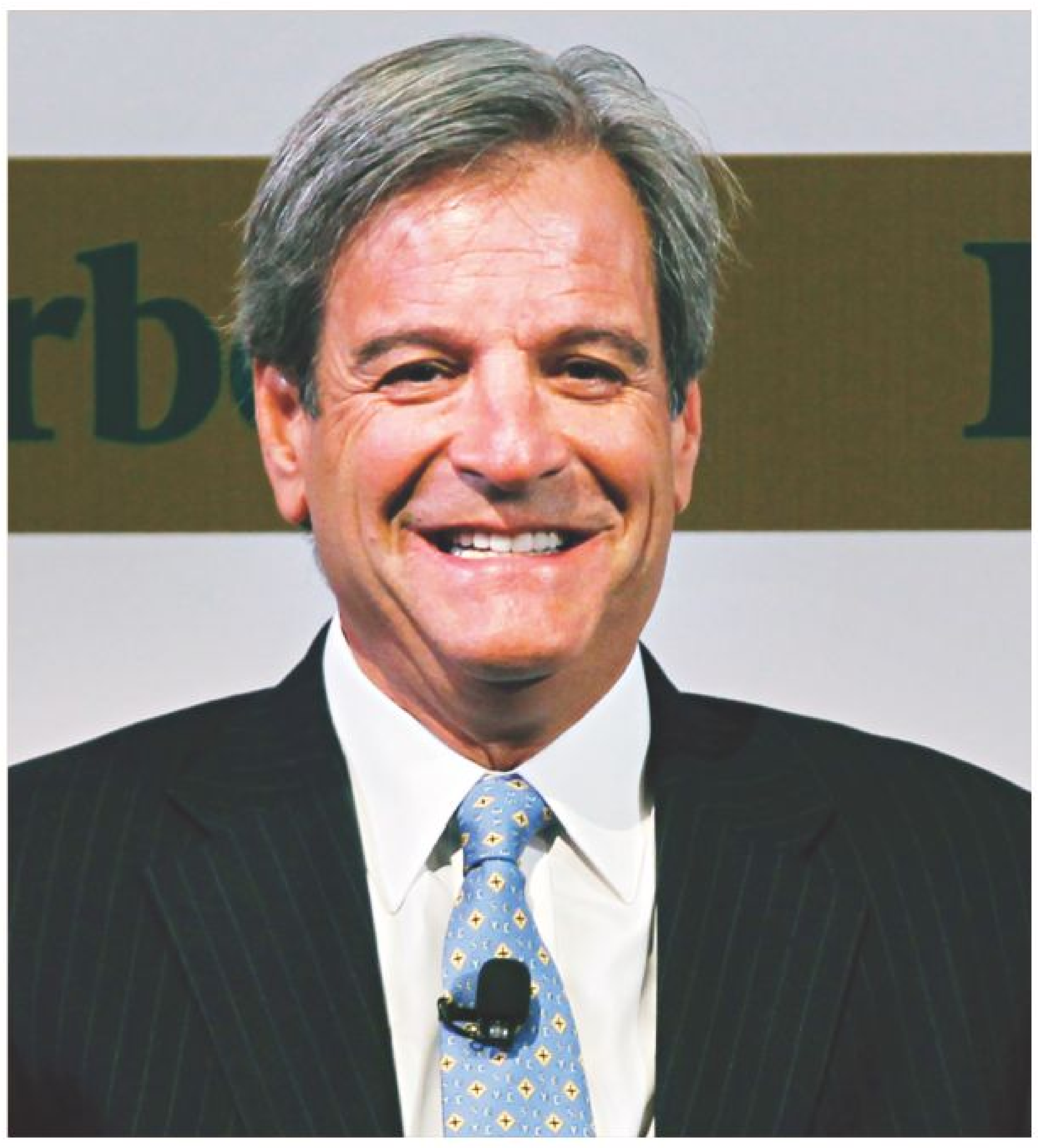
Chief Executive Mike Perlis, in a memo to employees on Friday, said the company had hired Deutsche Bank to explore a sale of the company founded by financial newspaper columnist BC Forbes in 1917.

The move comes after years of changes for the privately held, family-controlled company that has made a push to expand its online presence and which, in 2006, sold a 45 percent stake to Elevation Partners, the private equity firm that counts U2 singer Bono as a co-founder and managing director.

A source familiar with the matter said on Friday that Forbes is hoping to fetch between $400 million and $500 million in a potential sale. The proceeds would help repay a $264 million investment Elevation Partners made in Forbes, which it expects to be repaid in the next several years, according to a report in the Wall Street Journal, citing anonymous sources. Elevation valued its stake at about $30 million last year, the newspaper said.

An outside spokesman for Elevation did not respond for a request for comment.

The move follows the decision by the Graham family earlier this year to sell the Washington Post to Amazon.com founder Jeff Bezos, as well as the Bancroft family's sale of the Wall Street Journal in 2007.



Mike Perlis

Magazines have also been struggling, with Newsweek recently closing its print edition and Time Warner preparing to spin off its Time Inc unit, which includes Time Magazine, Sports Illustrated and People next year.

Perlis, the CEO, said an investment bank was hired after the company received "serious" overtures and now "expects interest from numerous suitors." A representative for Deutsche Bank declined to comment.

Forbes's online presence might make it attractive as a business brand at AOL or Yahoo, as opposed to a traditional magazine publisher, said Peter Kreisky, a former senior adviser to Time Inc and chairman of media strategy firm Kreisky Media.

A Fortune magazine article in 2011 detailed the family's financial struggles with the asset and said the company had defaulted on some of its loans. In response to the magazine article, Steve Forbes, who has campaigned unsuccessfully for the Republican presidential nomination twice, sent a note to employees in 2011 saying that "Forbes Media is profitable and in full compliance with all bank loan covenants."

But there is no doubt the company's core business has undergone upheaval as the traditional publishing industry has contracted.

Forbes Media's US advertising sales were $275 million last year, down 19 percent since 2008, according to the Publisher's Information Bureau.

In 2010, Steve Forbes and his brother Tim Forbes stepped down on the business side to make way for Perlis to become CEO and the first-ever outside executive to run the company. Steve Forbes remained editor in chief and chairman of the company and still writes a column.

About three years ago, Forbes reinvented itself as a web destination when it acquired a startup called True/Slant founded by Lewis D'Vorkin. It unveiled a new model focused on contributors, featuring more opinion pieces alongside news that gave prominence to non-journalists. Like many magazines, it has also built up a conference business.

Forbes Media now maintains that of total ad revenues, digital ad revenues now make up about 55 percent versus print at 45 percent.

"They became much more a creature of the web and learned how to master the web in ways other publishers haven't," said Outsell news industry analyst Ken Doctor.

While Forbes has seen some online success, Kreisky, the consultant, said "they've been struggling to establish a sustainable digital model as have most magazines" and noted that it has many competitors.

Indian farmers warn on WTO agriculture subsidy rules

AFP, *New Delhi*

INDIA'S powerful farmers' unions have told the Congress government not to compromise on food security in exchange for a global trade agreement at Bali.

The demand comes as the World Trade Organization's 159-member economies strive to bridge gaps between rich and poor nations over concessions needed to yield a deal for a ministerial summit on December 3-6 on the Indonesian island of Bali.

"India should not trade-off its food security concerns and the livelihood security of millions of farmers against the trade facilitation agreement," said a letter signed by 15 farm unions and sent to Prime Minister Manmohan Singh.

The farmers said India should stand firm against US and EU demands for any proposal that leads to a "dismantling of the famine-avoidance strategies. India cannot be forced to go back to the days of ship-to-mouth existence".

The letter was sent to Singh on Thursday and was received by AFP on Friday.

Members of the G-33 of developing countries led by India are demanding changes to the Agreement on Agriculture under the WTO so that they can offer greater subsidies to farmers.

According to the agreement, subsidies cannot total over 10 percent of the production. As food prices and the number of poor in developing countries have risen since the pact was framed two decades ago, these subsidies have gone up substantially.

India's ruling Congress party fears especially that its new multi-billion-dollar landmark scheme to distribute subsidised grains to two-thirds of the country's 1.2-billion population, will push it over the WTO food subsidy cap.

The farmers' demand comes after Indian trade minister Anand Sharma warned earlier in the week that "protecting the interest of the farmers and vulnerable sections of society is a key political imperative for a country like India".

He told US Trade Representative Michael Froman in a letter that a proposal to give developing nations a temporary reprieve from any penalties under the Agreement on Agriculture "falls well short of our requirements".

Sharma, who will represent India at Bali, said that the "interim plan" would still place "onerous conditions which would restrict its use significantly and circumscribe our domestic policy space".

India's Congress government, which faces general elections by May 2014, is insistent that nothing interfere with the food subsidy programme which it views as a key vote-getter.

The Bali summit is seen as perhaps the last chance to revive the WTO's so-called "Doha Round" of talks, launched in 2001 in Qatar.

The round's goal is to design a broad global accord on opening markets and removing trade barriers with the aim of harnessing international commerce to develop poorer economies.

China unveils reforms to ease grip on economy

AFP, *Beijing*

CHINA on Friday pledged ambitious reforms to loosen the Communist authorities' grip on the world's second-largest economy, as leaders chart the way forward for the next decade.

The ruling party issued a document detailing economic reforms following a key meeting, known as the Third Plenum, which ended earlier this week.

The plans include requiring state firms to pay larger dividends to the government, and allowing private companies a bigger role in the economy, according to the document issued by the official Xinhua news agency.

The government will require 30 percent of earnings from "state capital" to be paid back to the public coffers and used for social security by 2020, it said.

China's 113 major state-owned enterprises (SOEs) directly under central government typically pay five to 20 percent of their profits to the government in dividends -- the part of a company's earnings distributed to shareholders.

"This will have an effect on facilitating a better competitive environment," ANZ Banking Group economist Liu Ligang told AFP, adding it would make cash-rich SOEs allocate funds more rationally.

China moved to shut down or merge loss-making state firms in the late 1990s, leaving a smaller number, but with immense power over large sectors of the economy.

Further reforms have been made difficult by opposition from the state sector, which has been enriched by close ties to the government and lack of competition.

In acknowledgement of private firms, China will allow private capital to take equity stakes in state-funded projects, Xinhua said, but gave no proportion.

China will also allow the set up of smaller banks and financial institutions using private funds, the document said. The country currently has just a handful of private banks.

In the financial sphere, China will push forward liberalisation of interest rates and free convertibility of its yuan currency, the document said.

"The reform plan is very ambitious," said Wang Tao, an economist for UBS in Hong Kong.

"The implications for the economy and for the market depend crucially on the implementation," he said in a research note.

China currently sets deposit rates by administrative order, but the central bank began allowing banks to decide their own lending rates in July in a long-awaited move.

Beijing has repeatedly said it would push forward convertibility of the yuan -- allowing the currency to be freely bought and sold, and with it the movement of funds into and out of China.

The government keeps a tight grip on the capital account -- investment and financial transactions, rather than those related to trade -- over worries that unpredictable inflows or outflows could harm the economy and reduce its control over it.

In an indication of looser control on capital flows, China will allow more overseas investment by companies and individuals.

Beijing has encouraged companies to make foreign acquisitions to find supplies of raw materials and secure market access.

Farmers will be granted rights to "possess, use, benefit from and transfer their contracted land, as well as the right to use their land ownership as a collateral or guarantee", Xinhua said.

At present all land in China is owned by the state, with farmers only granted the right to till the soil in their area, rather than freehold possession.

The move could enable tens of millions of farmers to cash in on the value of their land, and invest in new businesses or move to the cities, with authorities pushing urbanisation as a way to raise living standards.

The government will also expand a number of existing reforms now being carried out on a limited basis, including setting up more free trade zones, the document showed.

China opened a free trade zone in the commercial city of Shanghai in late September, pledging to liberalise not only trade but also investment.

The document hinted that a property tax, now levied in only two cities, could be expanded to more locations but gave no timetable.

High property prices are a major source of discontent among citizens, and authorities have sought for more than three years to control their rise.

EU issues stern warnings in debut of eurozone budget oversight

AFP, *Brussels*

THE EU issued stern warnings to France, Spain and Italy on Friday that they must hold unwaveringly to their budgets for 2014 or run afoul of the bloc's strict fiscal rules.

The European Commission, wielding new watchdog powers designed to ward off a repeat debt crisis, cleared France's draft 2014 spending plans in advance of parliamentary scrutiny, but warned there was "no margin" for slippage in reducing the deficit.

The EU executive also identified considerable dangers in figures supplied by the governments in Rome and Madrid -- a day after Spain, like Ireland, announced it would do without an international credit line come the January end of its banking bailout.

Imposing its will for the first time in this way on national budgets, EU Economy Commissioner Olli Rehn approved the draft budgets of all eurozone countries except for Greece, Ireland, Portugal and Cyprus which are in bailout programmes.

AFP

EU Commissioner for Economic and Monetary Affairs Olli Rehn gestures during a press conference on Friday focused on the presentation of the autumn budgetary surveillance package at the EU Headquarters in Brussels.

The warnings to France, Spain and Italy, though, underscore a background of fragile and stuttering eurozone recovery from recession, and of big social strains in countries already applying tough measures to correct public finances.

The Commission can't force countries to rewrite their spending plans -- but after issuing such warnings, the executive need not tip-toe around in future assessments of progress measured against benchmarks agreed by all EU governments.

It is also the first time it gets to comment on budgets before they are adopted instead of complaining states have breached their fiscal commitments after the fact.

Tensions are now rising strongly in France, and the latest Commission reminder follows a number of recent critical reports on the outlook for French reforms.

The Commission said measures contained in the French government's 2014 budget suggest "adequate progress" towards a 2015 deadline for meeting the European Union's deficit ceiling of 3.0 percent of GDP, "albeit with no margin."

France is the eurozone's second-biggest economy, but French output shrank in the third quarter according to the latest growth figures. The government in Paris made only "limited progress" in 2013 in tackling root budgetary issues, the Commission said.

French Finance Minister Pierre Moscovici, in Brussels for two days of talks among eurozone and EU counterparts, told AFP that the verdict amounted to a seal of approval for French policy on public finances.

"It's a sort of certification of the seriousness and the credibility of France's budgetary policy," Moscovici said after Swedish Finance Minister Anders Borg flagged up "really worrying" developments in France.

The EU's Stability and Growth pact obliges member states to post deficits not greater than 3.0 percent of GDP, and to head towards accumulated debt no higher than 60 percent of output.

Both ceilings were routinely flouted even prior to the global financial crisis and then the eurozone debt crisis.

A number of eurozone countries got into serious financial difficulties and had to be rescued, on condition that they applied radical reforms to cut public deficits and restructure their economies.

This required big cuts in state spending, increased unemployment, cut tax revenues, and pushed the eurozone as a whole into recession.

Risks for Spain and Italy

EU Economy and Euro Commissioner Olli Rehn signalled concern that Spain's public deficit and Italy's debt could get worse.

Spain's draft 2014 spending plans are "at risk of non-compliance," the EU executive said, as Spain struggles towards a delayed 2016 target to return within EU norms, while Italy may also miss debt-reduction targets.

Rehn said that Italy had been denied the right to class some spending under a special exemption for perceived growth-enhancing investment.

"Every day this year there has been a politically-sensitive moment in Italy," Rehn told a press conference when asked if that decision raised the risk of a return to political turmoil.

Italian Prime Minister Enrico Letta accused Brussels of playing into the hands of eurosceptics by putting pressure on countries already suffering from austerity fatigue.

"I am fighting for a Europe that understands we could die from austerity and that to follow a policy of austerity alone only rewards Le Pen and eurosceptics like Grillo," he said, referring to French National Front leader Marine Le Pen and leader of Italy's Five Star Movement Beppe Grillo, both prominent antagonists of Brussels.