

" The Legacy and Struggle of UPI "

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It's a pleasure talking with this group. When I was asked whether I would be willing to talk to an Intercultural Communications convention, I had to think hard about what I could possibly tell you. I was concerned about what I might have to bring you; what would be of value to you. Then I thought of the one obvious subject: United Press International.

And it occurred to me that I really hadn't talked about it since I had left, which was this past March (1990). Maybe for once and for all, I should say what I had to say about it, and move on to other things. And that's what I am going to try and do today. I'm going to bring you along with a little bit of my history and a little bit of the history of UPI, so you can understand how it got to be where it is now, what sort of things happened to bring it to where it is today and how I happened to be involved in it.

As you may know, UPI was started in 1907 by an entrepreneur in Ohio named E.W. Scripps. He owned newspapers in Cincinnati, Cleveland, and Columbus and the main news service was the Associated Press. The Associated Press was in the process of signing up exclusive newspapers in cities, and some of his newspapers were not among those chosen. Scripps felt there should be another news service, so he started the United Press. It has functioned and continues to function, even today, since June of 1907.

My first experience with UPI in any close proximity occurred in 1969 when I was a reporter in Southeast Asia. Our company, Group-W, Westinghouse Broadcasting, used the UPI lines to communicate among its staff. So I sent my messages back from the UPI bureau and then got to know the UPI people in Saigon and meet some of the UPI reporters who were covering the war.

In 1972, I went to Hong Kong with Group-W. My office was right in the offices of United Press International. So I had about a five-year close exposure to UPI to see some of the people, see how the company works and learn that it was a very competitive news organization.

I came back to the states, went to business school and did some other things over the years and ended up in California in the 80's building a news organization called The Financial News Network.

Then in Fall of 1985 it turned out that UPI was in trouble. I focused on it again and learned that it had been sold to some entrepreneurs and they had mismanaged the business and UPI was in bankruptcy and it might be up for sale. I talked to my colleague -- Dr. Earl Brian -- who was the chairman of FNN and ran a venture capital company called BioTech. Brian was helping to finance FNN and we got interested in UPI, thinking it might be a further step for The Financial News Network to become involved in UPI.

FNN was a new, news organization. It was growing and it had just turned profitable. So, in the Fall of '85 we went to Washington and went to the offices of UPI. I spent four or five days there over a very intense period where we made a bid for UPI along with some other people.

We got to meet all the people involved in managing the company at that time before we made a bid for it. Our bid, although higher numerically, was rejected by the executive committee, by the union, and by the bankruptcy committee -- all of whom had a say in whom the next owner would be. We just didn't do a very good job communicating with them.

They sold the company to a Mexican publisher named Mario Vasquez Rana and he took it over in 1985. And I thought -- in terms of my career and my life -- that I would never be involved again.

A bit later, I was working with another company that FNN owned called Data Broadcasting, a company that developed technology for transmitting textual and data information by putting it on Cable TV signals in the vertical blanking interval (VBI), the same technology that carries the text for the deaf.

At that time in the Fall of 1987, we got a call from Mr. Rana, who was having some problems. He knew of us because, of course, we had met at the offices of UPI and we had been contesting him to purchase it.

That began a dialogue with him that lasted about three months.

Then, just about three years ago today, as a matter of fact, the third-Friday of February, 1988, there were three of us, driving in a car downtown to Washington: a public relations gentleman of long experience who had worked for UPI some twenty years earlier, an entrepreneur - Dr. Brian -- who, as I have pointed out, had helped finance FNN and would finance any acquisition of UPI, and myself. Dr. Brian turned to the other gentleman -- with long longtime public affairs credentials -- and asked him: "Should we get involved in this?"

We were at the brink of getting involved. The other gentleman said, "I don't think we should. Number one, if it fails you're going to be identified forever as the person who brought UPI its knees, and ended it; and secondly, I'm not so sure about the prospects in the newspaper market.

Then Dr. Brian asked me: "What do you think?". I said: "I'm not so sure that it is a good business idea, but I think it's worth doing it because it is worth saving."

That was the depth of my analysis of it at that moment, before we got a chance to take a deeper look at UPI's books. I just thought, as a journalist, that UPI was so important that we had to save it and do anything we could for it. Since Dr. Brian was willing to help finance it, I said I was going to do the best job I could to make it work, so that's how I got involved in it.

In fact we really didn't know at first that we could make UPI work. We said that when we started, so we spent the first six weeks analyzing UPI to try and find out where it was and how it might be turned around.

When we got into UPI we found that there was no written sales plan, and no written marketing plan. There were stories about shoe-box accounting which were absolutely true. UPI checks were being held in shoe-boxes. There was all sorts of madness going on.

The company was editorially very strong. But, on the business side, at that point, nothing was there. We had to start all over. I just want to share with you for a few moments some of things we did so you can get some sense of what happened.

We were fortunate that the editorial management was strong. They were veterans of the company that had been there, and we kept the same managers. But nearly everybody else we replaced.

We hired new marketing people. We laid down pricing strategies and performed product analysis and all sorts of things that had never been done. In the financial office, we started cost-accounting. UPI had no idea what the cost of the products was, where the funds were flowing and why.

On the communications side, we started rationalizing the network, examining the central computer to see if there were major problems inherent in it.

In the public affairs arena the company had gotten into a confrontational situation with the media covering it and a confrontational situation internally with its own staff. So we tried to open up, tell people internally what was going on in the company and say as much as we could about the business.

We wanted our clients, the news industry, to understand better where UPI was and what direction we were heading. I think we had some success with that. But on the other hand, any problem we encountered, the press, particularly the news industry media, would jump on. They were eager to take advantage of and do stories about our problems.

UPI had essentially become stereotyped. Everybody had a UPI obituary in their computer and every time there was a piece of bad news, they would just slam it into their obituaries. 'Here's one more reason that it is going to fall apart,' seemed to be their thinking

Anyway, we endured all of this. We got the news industry more involved, talked to our people, and made some progress.

What happens in a business takeover or starting anything new is that you go through a learning period. Unfortunately, we didn't have anybody to go to, who was willing to talk to

us and ask: 'How do you run a news agency and make it profitable?'

In fact I'm not sure that anyone could answer that question, since each news agency has its own idiosyncracies and special markets. Certainly no one had made UPI profitable.

This lack of data is exactly the same experience we had at Financial News Network when we started a cable programming company. There were no models for that either.

So what happened in this situation was that we completed our business plan at the end of our initial six week's analysis. Then we needed to operate the company and collect business data for analysis as we went forward to have a realistic comparison between our plans and our results.

It took us about fourteen months to do that. By then it was the summer of 1989. We had identified a certain number of problems, and there were significant problems.

Domestically we were serving two distinct market places: the newspapers on the one hand, and broadcasters on the other.

The newspaper industry, as a whole was more involved in the news in the sense that from the publisher on down everybody is looking closely at the product. What's happened is that because of the distillation of the news industry and the lack of competition, the spirit of journalistic competitiveness has changed. Newspapers were looking for one kind of product from us; the broadcasters were looking for another.

The broadcasters were still highly competitive with numerous radio stations and television stations (in every community). Broadcasters wanted breaking news. The newspapers on the other hand just weren't as interested any more in the kind of fast news that a news service like UPI had traditionally put out. So we had to develop completely different products for these two markets.

For example, we updated and developed our stock agate feed for newspaper stock pages because managing stock information was a problem, technologically, for newspapers.

So the different needs of the two marketplaces created one set of problems.

What we were seeing was that UPI news services had lost their competitive attractiveness from the perspective of many newspapers, with the overseas exception of Latin America. For some reason, I never had the time to analyze fully, but certainly it was true, in Latin America UPI remained very competitive. Probably because UPI started there early; probably because our the people there were competent; probably because over the years the tradition of service has kept up.

There is more on that subject if you want to learn about it in a book that is going to

come out later this year that Professor Bruce Garrison and Professor Michael Salwen wrote, both of whom are on the University of Miami faculty, called Latin America Journalism. There is much more detail about reasons for the success of UPI in Latin America in that text.

In addition to these problem, we had suffered a decade of false starts at UPI, so here we were -- the new management -- coming in and saying: 'We're going to do all these new things'. But the first response some reporter (who covered UPI would say is): 'the last guy I interviewed (who was the president at UPI) offered the same list of remedies. Why should I believe you?'

It is problematic and embarrassing to be placed in the position to respond: 'We're going to do it right even though he (the previous management) didn't do it so well.'

I think, in fact, that our management team did a better job. I guess if someone wanted to, they could write the history of UPI and analyze how well we did.

But, we faced a major credibility problem. We -- the new owners -- had a lack of strategic, industry partners. The (news industry) said: 'Who are these guys? Who is Paul Steinle? Who is Earl Brian? Who are these people?'

This is what I believed newspapers editors around the country were doing. I mean they never came up to us and said it face-to-face, but I expected it was happening.

So we never had the strategic partners that we needed to help us establish our credentials. If we had been the New York Times company or The Miami Herald or any number of major news organization, it would have helped us.

Someone asked me at one point: "Is there anyone left at UPI?" That question stunned me at first because I knew we had 1200 employees and he had asked if there were any people left.

What he really meant was: 'I don't hear from them anymore. I don't know who is over there anymore.'

What had happened, I think, in the midst of all these problems was our staff had naturally retreated from talking to the editorial community it was serving. They no longer were calling up and saying: 'Joe (editor) how are things going?'

Our staff didn't want to have to deal with latest current rumor of imminent collapse. This kind of casual communication had gone away, so we had lost these personal links.

The financial pressure on the newspaper industry overall also placed tremendous pressure on UPI. The newspaper industry profits are falling from 40 to 35, 30 to 25 percent.

Newspapers are feeling that squeeze very badly. Any kind of buying decisions are impacted by that.

Finally, an obvious structural problem we faced is the length of buying cycle for news services -- which turns out to be dictated by five-year contracts. So you can't go in and turn something around in 12 months or 24 months; it just takes people a long time to make up their minds about your service. And more time to change.

So that was the list of the major problems.

On the positive side, UPI had a tremendously competitive news staff: dedicated people who worked long hours. The list of UPI graduates is good enough that so that I don't have to repeat it. It indicates the kind of quality people who have passed through the UPI ranks. And, I don't think that had changed.

There is also an entrepreneurial spirit in the company. There is a willingness on behalf of the staff to take on challenges and do difficult things. There is also a willingness to try new things.

Somebody wrote a song, " We've been down so long, it look's like up to me." I think that's the kind of spirit UPI enjoyed. There had been so many problems the staff was opened-minded and willing to try new approaches.

Another strength for us was the Wire Service Guild, which was kind of a surprise. You read the stories about UPI and you would expect that the Wire Service Guild would be a problem; that they were demanding and unrealistic. That wasn't true at all. The leadership that we dealt with (at the Guild) was very realistic.

The Wire Service Guild realized the problems we faced. They modified their demands; frankly, because we talked to them. I admit this sounds so simple, it's ridiculous. Management in the past just never sat down and had spoken frankly with them, I believe.

I think the never-say-die attitude of the new ownership was also a great source of strength for us all.

The new management group we helped put together was also a major plus.

And, there was residual support from the news industry. Despite all the problems UPI had, there were still a corps of editors who supported UPI: Gene Roberts, David Lawrence, Doyle Harville, Paul Davis on the broadcast side and many others.

I should make a list, a long list, because there were many editors who supported us with their budgets, morally and ethically, and in every way.

These news professionals realized first of all that the pure information, news-gathering value of a second source is critical. They realized also that if we weren't there, they would have to deal only with the AP.

They were afraid of dealing with an AP with no competition in terms of collecting news, number one; and of no competition, in terms of price, number two. They had real professional and business reasons for wanting us to survive.

In the face of all this, what did we do?

The first thing we did was to professionalize the business side of the company, which had been just neglected totally.

This stuff is Business 101. It's taught at the University of Miami. It's taught at every university in the United States that teaches business; it's probably taught in high school. But somehow it never penetrated United Press International in the 1980's. I think we brought that to it. We wrote the first complete documented business plan for UPI in the 1980's. So we had a sense of where the business was and why.

The second thing we did was we started to decentralize control. There were two or three people at the top trying to run this organization. We put middle management people in charge of the different lines of business: business news, sports and various other aspects. We were delegating more authority. We wanted the managers closer to the products to go to their clients, get to know them, tell us (at the top) what's going on. The data-gathering process at the top was just too slow.

The third thing we addressed dealt with one of the worst mistakes UPI ever made: cutting its state bureaus.

Strategically there was only one product for which UPI only had one competitor and that was covering the 50 states of the United States.

There were many competitors out there: the New York Times News Service, Reuters, name all the others. But, there was only one other news agency -- the Associated Press -- that had this domestic, 50-state news coverage product. Therefore by backing away from state coverage, which UPI had begun doing in the early '80's, we hurt ourselves. So we tried to refocus back on the states and the local news.

We tried to innovate. I mentioned the new stock tables that our management team came up with. We created several other new products. One was an analysis of political action committees where computers were following all the votes in Congress and categorizing those and seeing how they tied into political contributions.

We realized that with the technology we had we could establish an electronic-



partnership with newspapers. This was a very important initiative.

Newspapers were very interested in selling their information in other ways. They realized there could be a future for them to earn more income if they could distribute their news products electronically.

The model that seems to be working is the model where information is delivered to personal computers and there is control at the user-end over what comes through. This was technology that UPI had developed to some degree for some other products and also had laid the network for so that the newspapers could exploit if they joined us. So we began to enlist the support and participation of newspapers in the expansion of content for the sale of an electronic information service to non-media clients. And, they were responding favorably to this concept.

Finally, we were targeting the non-media markets because, from a business point of view, we thought that what winning would look like was this. We would maintain our media market share and grow it perhaps slightly, but the real future financial growth would be on the non-media side -- selling to government agencies, selling to businesses and other institutions like that.

So this was my perspective in the Summer of 1989 about 14 months into the turnaround effort.

We had reduced our losses from about two million dollars a month on a cash-flow basis down to about a million. On a P&L basis, we were down to about half a million a month in losses.

We had a relatively good turnaround story to tell at that time and we had promising numbers.

But, even in the face of this, it looked to me like it was going to cost us at least another 50 million dollars, which is a lot of money, to succeed.

My position at that time -- what I recommended -- was we should seek strategic news industry partners to go forth and do this, to go to the news industry and convince them to come in and join us as investors and part-owners.

Unfortunately, from my perspective, I had a discussion with the people I worked for and they didn't want to do that. They had always raised funds from institutional investors in the past; they felt that was the best way to raise money. That was the course we continued on, going in that direction.

From my point of view at that point, I could not see how we could succeed, because I

feared that these institutional investors would not have the patience to stay in this business.

To be an investor in the news business, I believed, you had to be strategically involved, which means there had to be some benefit other than pure financial return for you.

I don't think an institutional investor -- an insurance company or venture capitalist, something like that -- has that perspective. They're looking totally at bottom-line involvement and how quickly they're going to get a return on their investment.

So UPI made a decision to delegate its leadership authority with someone else. And, instead of seeking strategic investment, the company in the short-term, invested heavily in selling to non-media clients.

I never got to launch my pitch for strategic investors -- but in fairness, it might have met with complete failure.

Many in the news industry had written UPI off. But I believed that we had a reasonable story to tell, and more importantly, we had documented information to support our story, since the business was under tighter control. And the industry had a reason to invest -- since we were establishing a leadership position in technology and since there is still a hard-core group that wants two news services. But, getting these investors certainly would have been an exceedingly challenging task.

Anyway what happened was that UPI increased its sales staff and targeted non-media clients, but sales did not increase significantly and within a year losses were back up to two million dollars a month, by the summer of 1990.

In the meantime, I had decided to leave UPI to do something on my own, but that is essentially what happened to the company. Now UPI is up for sale again.

Someone's written a book about UPI. Its called Down to the Wire, by Greg Gordon and Ron Cohen. It was published in November of 1989.

On page 407, almost the last paragraph of this book, it says:

"The sad reality could not be ignored. Their wire service could never be again what it was. UPI's days of glory were gone forever. The old dream was over. The crusade was lost."

That paragraph created 1,000 enemies, of course, for the people who wrote this book: all the employees of UPI. And, frankly, to put it politely, that kind of doomsday commentary is horse manure.

UPI is not dead. Just because two people who wrote the book left doesn't mean it has

to die. Just because I left doesn't mean it has to die. That is naive and self-serving.

UPI does, however, to succeed, need an owner that has patience, one that has a strategic vision, as I mentioned, and one that has pockets deep enough, who can afford to spend 50 million dollars or so to be successful.

Who are all the logical purchasers for UPI?

Well, I've made a list of them just for fun. I don't know if they're interested. But, if I were them, I would be.

CNN should buy UPI. CNN should utilize its worldwide satellite network to distribute the information of UPI over their VBI.

It would enhance CNN's credibility and expand its income by serving the print market, something it doesn't do now. CNN could also take a leadership role in capturing broadcast news for data base use so it could truly become the 'broadcaster of record.' That's one possible purchaser.

The supplementals could purchase it: the New York Times News Service, the L.A. Times, the Washington Post. They could broaden their coverage to 50 states; they now do a sort-of tiger-spot coverage.

By tapping into UPI they could cover all 50 states and expand their business. They could also sell to the broadcast market. They're not selling to radio and television at this time, so there's more possible income for them.

Another possible purchaser is Mead Data, Mead gets its timely, today's news for Nexus from UPI. The AP won't sell today's news to them. AP requires Mead to delay AP news. If UPI goes out of business, Mead will not have a domestic, same-day source. So if Mead did purchase UPI, they could reduce their costs for news, number one, and also, it would position them in the future do something really horrendous: sell news to the phone companies. Because it looks like sooner or later the phone companies are going to get into news distribution business. Everyone is strategically considering how to sell to the baby Bells. Some news company is going to profit from this relationship sometime in the future.

Finally, foreign news agencies could purchase UPI. We wouldn't feel so good about that. We are all proud of the fact that UPI is an American tradition; that's an American speaking, I apologize. But there are companies out there that certainly could benefit from being involved. Purchasing UPI would improve their depth of coverage in the United States immediately and would also help them in Latin America where UPI is a leader.

I think that if UPI does collapse, if it can't find an owner or a buyer, it won't be

because they weren't possibilities. Maybe because the companies I named can't afford it or because the selling job wasn't good enough. But, there are possible strategic purchasers.

Finally, as I wrap up my talk about UPI, I think we should mention three people who have been very important to UPI in the last six or seven years.

Sometimes these people are praised for what they have done. Sometimes they are condemned. If these men had not done what they had done, UPI probably would have been gone six or seven years ago.

The first is Luis Nogales, an attorney who got involved in UPI in the mid-80's. When the company was in bankruptcy in Spring of 1985, he essentially took control of UPI kept it alive. He certainly had a vision. I think he deserves praise for piloting UPI through those hazards.

I think Mario Vasquez Rana, who came along in 1985 and financed the company essentially from his checkbook also deserves praise. Ultimately he did not succeed, but his participation and support deserves recognition.

Finally Dr. Earl Brian, for whom I worked: an entrepreneurial neuro-surgeon. He stuck his neck out to raise tens-of-millions dollars to keep UPI going since 1988.

From a business perspective, despite having more than 2,500 clients, the company was essentially dead -- D-O-A -- February, 1988 when Brian took over, and pumped life and dollars into it. And now, three years later the news is still being put out. Dr. Brian nurtured the vision to reposition UPI technologically and make it a success, but ultimately he lacked the funds to complete the job.

There were mistakes made. Perhaps people reached farther than they should have. But, I think, the one major beneficiary has been the news business at large.

In fact, we all are beneficiaries of the guts and determination of these men, and of the UPI staff -- which has labored ceaselessly amidst doubt and confusion to turn out a competitive news service.

It's hard to believe that nine years have passed since UPI was set afloat and all the media-watchers started writing their UPI obituaries. Fortunately, their copy has never been published.

UPI's contribution is a keystone to the depth and breadth of information that we receive in the United States and around the world.

UPI isn't always right. It's certainly made its share of errors in the years that have

gone by, as have all the news services.

But, without UPI, we would all be less well informed both here at home and around the world.

Because, fundamentally, a quality press needs competition to reach its potential.

And should UPI disappear, there is currently no other news service with the depth and breadth of coverage and the competitive spirit to fill the information gap its departure would create.

Thank you.