

By Bob Papper and Michael Gerhard

NEWSROOMS STILL EARN PROFITS

News still makes money—a lot of it, overall—for television stations. But in 1996 slightly more TV stations reported losing money on news than in 1995, and a lot more radio and television news directors reported that they simply didn't know whether news made a profit.

Oh my, yes, news makes money," says Bill Bauman, outgoing news director at KCRA-TV in Sacramento, CA (market #21). The NBC affiliate programs eight and a half hours of news a day, including two and a half hours on LMA, KQCA-TV. Bauman says nearly half the station's revenue comes from news.

That's higher than average. For the first time, the RTNDF/Ball State University Survey asked television news directors what percentage of station revenue came

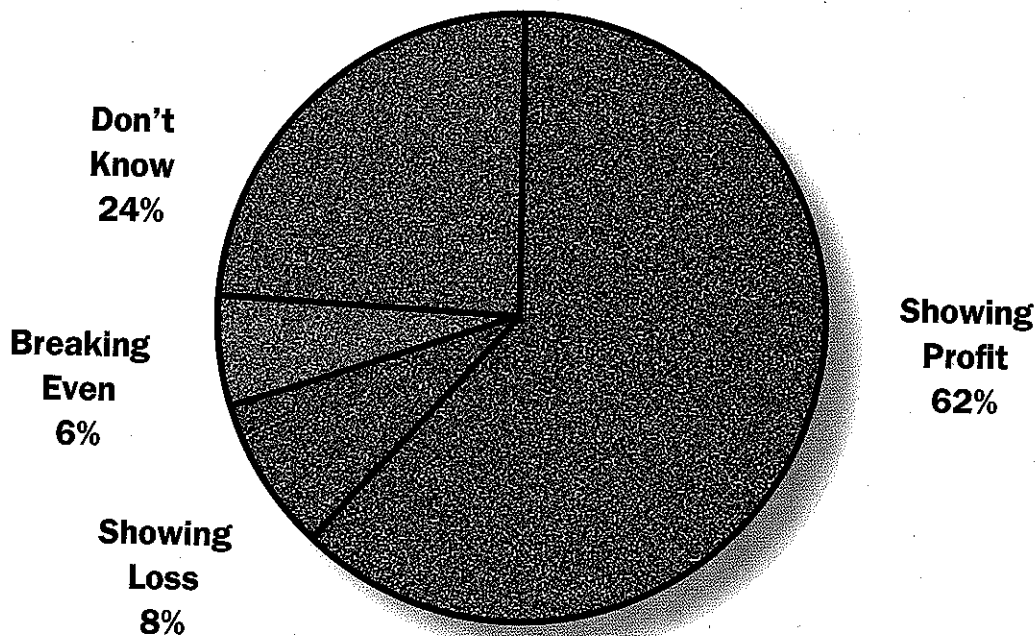
from news. Answers ranged from zero to 65 percent, with an average of 35 percent.

"We are prime-time buys for advertisers," says Bauman, who notes that a quarter of KCRA's programming is now news. "Our mission statement says that this is where news comes first," says Bauman. "We were on 86 hours continuously for flood coverage." He says his philosophy is simple: "We're fairly adult; we do news for grownups." Bauman also says he expects to do more news, "but I'm trying to imagine the time of day we're not yet covered."

Still, he has some concerns. "At 11 p.m., we have a 45 share. This time last year, it was 47. The same thing is happening at 5 p.m. and 6 p.m." The issue to Bauman is not that the audience is going to the competition; it's general audience erosion. "Two share points is not a great deal, but over 10 years, this could become a problem."

Not all news operations are doing as well as KCRA. The 1996 RTNDF/Ball State University found 8 percent of television stations losing money on news and 6 percent breaking even. While most

TV News Profitability



Overall, nearly two-thirds of all television stations reported making a profit on news in 1996. That's down from 72 percent last year, but most of the gain went to "Don't Know"—which jumped from 17 percent in 1995.

Broadcast News Profitability For Television

	Showing Profit	Showing Loss	Breaking Even	Don't Know
MARKET SIZE:				
ADI 1-25	59%	0	17%	24%
ADI 26-50	59	14	9	18
ADI 51-100	62	5	5	28
ADI 101-150	60	11	7	22
	Showing Profit	Showing Loss	Breaking Even	Don't Know
FT STAFF SIZE:				
51+	81%	0	9%	10%
31-50	74	4	2	20
21-30	68	8	10	14
11-20	63	6	3	28
1-10 FT=Full Time	8	8	20	64
	Showing Profit	Showing Loss	Breaking Even	Don't Know
REGION:				
Northeast	70%	1%	4%	25%
Midwest	66	3	10	21
South	61	9	7	23
West	48	8	8	36
	Showing Profit	Showing Loss	Breaking Even	Don't Know
AFFILIATION:				
ABC	67%	9%	4%	20%
CBS	66	3	10	21
Fox	52	10	14	24
NBC	72	2	2	24

CBS stayed the same as 1995 (when it was the lowest of the group). Both ABC and NBC dropped around 10 points from the year before. The biggest change was with Fox, which dropped 17 points in the profit column and went up 10 points in the loss column. Most of the changes with ABC and NBC involve a shift from profit to don't know. That could simply reflect more honest answers this year. The drop in profitability with Fox stations could reflect the relatively large number of start-up news operations among Fox affiliates in 1996. News operations generally don't show a profit until at least a full year of operation.

About the Survey

The RINDE/Ball State University Survey was conducted in the fourth quarter of 1996 among all 1,186 operating nonsatellite television stations and a random sample of 843 radio stations. Valid responses came from 653 television stations (55.1 percent) and 351 radio stations (41.6 percent).

network affiliates make money, almost a quarter of the Fox stations reported losing money or breaking even. That could be the result of so many start-up news operations within the past year. Joe Saitta, vice president for affiliate news at Fox, says Fox tries to help stations get started at break-even or better, but it can take about a year for a news operation to become profitable. Saitta also says that some of the Fox partnerships have been "underachieving" so far, and that could be part of the reason for the figures.

Don Shafer is news director at a CBS affiliate, but he understands the problem. He's news director at WDJT-TV, the new CBS station in Milwaukee (market #31). Shafer says he has 35 full-time people competing against stations with as much as four times his staff. It has been a struggle. "The station underperforms in all dayparts," says Shafer. The UHF station has been on 12 different channel positions on the 16 area cable systems.

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"Yes, it's a moneymaker, but it's also branding for the station. It's what people think about when they think of the station."

The lead-in for the 5 p.m. news (Jerry Springer) gets a 3 rating against Rosie O'Donnell and Oprah Winfrey, and Shafer describes the 6 p.m. news after the network as a "black hole." The most successful newscast is at 10 p.m., but Shafer says Milwaukee is a "very traditional market," and there's not much reason for people to change their viewing habits. Still, news is viewed as an investment, and Shafer says the owners are sticking with it. "They're very supportive; they want it to succeed."

News Director Ken Rhodes says his station is No. 7 in news in the market and only brings in about 3 percent of station revenue, but he says WLNY-TV makes money on news—even with a staff of more than 50 people. That's what

happens when you're in New York or Long Island (market #1). Even in seventh place, Rhodes says the UHF station has almost 400,000 viewers through cable systems in New York, Connecticut and New Jersey. Rhodes, who also anchors the station's only newscast, weekdays at 10 p.m., says he's making lots of changes, upgrading the staff and looking at expansion in the morning, early evening, weekends and middays.

Roberto Vizcon faces some of the same problems. Miami (market #16) now has six stations competing at 6 p.m. and seven stations competing at 11 p.m. And WSCV-TV, the Telemundo (Spanish language) affiliate comes in on the low side. Still, Vizcon says the station makes money on news. It's not easy,

Vizcon says. "Population figures say we'll be the No. 1 minority in the [United States] by 2015, but Madison Avenue and the big corporate entities refuse to acknowledge that. They give 90-95 percent to Anglo markets; 5-10 percent, a little piddling, to Spanish stations." And most of that goes to the stronger Univision affiliate, according to Vizcon. Still, the station is convinced that news makes an important contribution to the overall station image. WSCV produces three half-hour newscasts per day with 46 people full time plus a half dozen free-lancers.

"News makes a lot of money...of course it does," says Nancy Kent, news director at WWBT-TV in Richmond, VA (market #54). In the past five years, the station has expanded news in the morning and added news at noon, 5 p.m., 5:30 p.m. and a 10 p.m. news on the local Fox station. "Yes, it's a moneymaker," says Kent, "but it's also branding for the station. It's what people think about when

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Percentage of TV Station Revenue Produced by News

Maximum	Minimum	Average	Median
65%	0	35%	40%

Average Station Revenue Produced by News

By Region:

Northeast	Midwest	South	West
41%	35%	33%	34%

By Affiliation:

ABC	CBS	Fox	NBC
37%	42%	33%	41%

By ADI:

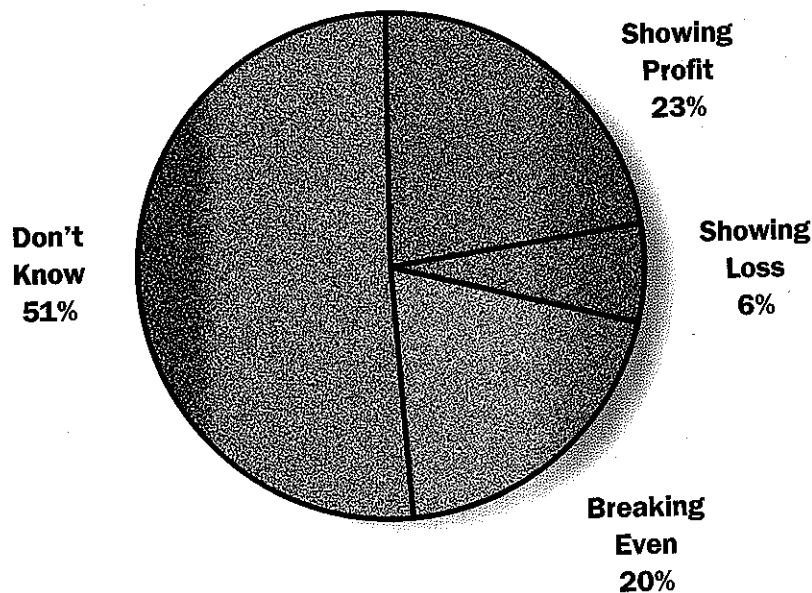
1-25	26-50	51-100	101-150	151+
27%	21%	45%	36%	32%

By Full-Time Staff Size:

51+	31-50	21-30	11-20	1-10
34%	47%	42%	30%	12%

This represents the first time we've asked news directors about what percentage of total station revenue is produced by news. The zero figure came from a brand new news operation.

Radio News Profitability



The radio profitability figures are up for the second year in a row, with "Showing Profit" moving up from 18 percent in 1995. As with television, the biggest growth was in "Don't Know," which also moved up five points.

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they think of the station." The branding of local news is what will "add loyalty and protect the station in a 50-channel universe," according to Kent. And that means "news must be relevant." General Manager John Shreves says news accounts for "in excess of 40 percent of station revenue."

Kevin Ragan, news director at KAKE-TV in Wichita, KS (market #63) agrees, but notes, "I also spend the most money in the station." Ragan, along with a number of the other news directors we spoke with, remembers news as a "loss leader." Now, says Ragan, "News is the face of the station—the most important element of any television station."

Ragan says news is an expensive investment for any station. "The cost of news is going up; I spend an enormous amount of money." Ragan cites escalating salaries, expensive and extensive satellite windows and cell-phone costs. "That's the new black hole," he says. And overtime. "As you add product, you don't necessarily add people, you stretch people."

Matt Ledin knows about being stretched. He starts his day anchoring the news on five radio stations before moving on to his job as a TV news director—at an unrelated station. He handles morning drive on jointly managed Lewiston/Portland, ME, stations WLAM-AM/FM (big band), WZOU-

AM (big band), WTHT-FM (country) and WKZS-FM (soft rock). Then he heads to the Fox station in Portland (market #79), WPXT-TV, and he soon expects to add news on the UPN affiliate, WWLA-TV.

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Broadcast News Profitability For Radio

	Showing Profit	Showing Loss	Breaking Even	Don't Know
ALL RADIO	23%	6%	20%	51%
	Showing Profit	Showing Loss	Breaking Even	Don't Know
MARKET SIZE:				
Major	33%	6%	11%	50%
Large	14	0	31	55
Medium	20	10	15	55
Small	26	5	22	47
	Showing Profit	Showing Loss	Breaking Even	Don't Know
REGION:				
Northeast	21%	5%	21%	53%
Midwest	25	2	11	62
South	29	10	20	41
West	10	7	36	47
	Showing Profit	Showing Loss	Breaking Even	Don't Know
TYPE				
AM only	19%	10%	23%	48%
FM only	19	5	25	51
AM/FM	28	3	14	55

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Although the Fox station runs just a half hour of news at 10 p.m., Monday through Friday, Ledin says it makes money for the station. And the station is looking at a couple time periods for possible expansion, starting with weekends. Ledin has a small staff—about 15 including part-timers—but he says he expects to add staff this year. “News is a top priority” for the company, says Ledin, and the company views news as a real growth area.

“News makes money in El Paso,” says Roy Ortega, news director at KTSM-TV, El Paso, TX (market #99). “It certainly became the revenue-generating force of TV. A TV station’s image is based on news.”

Ortega says that when he managed the news at the Univision station in El Paso, the station generated “not quite half” its revenue from news. “And that was doing a lot less news with a smaller staff” than at the NBC affiliate he now

works for. Ortega says news generates 38-55 percent of total station revenue, depending on the month. He has 36 people (including four part-timers) producing four hours of news a day, seven days a week and expects to grow in the face of increasing competition in the market.

KNOE-TV in Monroe, LA (market #133), also runs four hours of news a day, and News Director Roy Frostenson says the station “absolutely” makes money on news. He says he doesn’t know what percentage of station revenue news brings in, but “it used to be a little less than half.”

Frostenson has two dozen people full time and five part time. He says his budget has been growing steadily, generally 4-5 percent a year. He’s looking at possible news expansion, encouraged by local station ownership with a “big, big commitment to news.”

Dave Lerner, news director at KGWN-TV in Cheyenne, WY (market #193), says he’s “never been in an organization where news wasn’t a cash cow. Way beyond that,

it drives the engine.” Normally, Lerner says all the ad spaces in the news time slots are sold out (unlike the rest of the station), but since the station just increased the price of news avails by 40 percent, they’re not as full as usual.

Lerner says his staff has grown from 12 to 20 and the amount of news has gone from one hour a day to three. “The main reason,” says Lerner, “is because news generates revenue.”

KGWN Sales Manager Reed Larsen says news accounts for 45-50 percent of total station revenue. But he says he hopes that will trend down to 30-35 percent. “News is higher because of its perceived value to advertisers,” says Larsen, “and it’s easier to sell....But if news is at 50 percent, then we’re not doing an effective enough job of selling everything else.”

RADIO

News Director Ed Walsh says that at KFYI-AM in Phoenix (major market),

News Department Budget Changes For Radio

	Increase	Decrease	Same	Don't Know
ALL RADIO	12%	7%	62%	19%
	Increase	Decrease	Same	Don't Know
TYPE				
AM only	4%	12%	71%	13%
FM only	17	8	58	17
AM/FM	13	2	60	25
	Increase	Decrease	Same	Don't Know
MARKET SIZE:				
Major	19%	19%	52%	10%
Large	16	7	55	22
Medium	16	6	61	17
Small	5	3	70	22

news "barely pulls its weight" financially. "Talk is what makes money," says Walsh; the "news complements the talk." Walsh says part of why news doesn't make much money is that the station has a strong commitment to news—with five people full time and one part time, all just doing news.

Walsh says there are really only two stations in the market doing news. KFYY runs 10 minutes of local news per hour in the morning and three minutes per hour other times, along with CBS News Radio. Walsh says the station does well financially and in the ratings. News is important for the overall station product, says Walsh. It's not a loss leader, but it doesn't make real money, either.

Rose Ryan-Douglas says she has no idea whether news makes money at WWSW-AM/FM (oldies) in Pittsburgh (major market). "I'm news director because I'm the only news person here," Ryan-Douglas says. It didn't start out that way. She says there were about a dozen people there in news when she started at the station 15 years ago. Now she's it. "This is a music-intensive station," says Ryan-Douglas, and news only runs in morning drive. They run two minutes of news at the top of the hour (plus sports, traffic and weather) and a minute at the bottom. Ryan-Douglas says she sees lots of news sponsorships, and she attempts to do news that's relevant for boomers, especially stories about things like money and health.

Mark Howell, news director at KCWR-AM (country) and KUZZ-AM/FM (country) in Bakersfield, CA (large market), thinks the station makes money on news, but says it's hard to

tell because the station doesn't allow any ads in the news. For at least a dozen years, the station has not run any

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"News is the bedrock of the station."

commercials within the news or any news sponsorships. The closest an advertiser can get is an adjacency—which does sell at a premium price. The idea, Howell says, is to foster the perception that the news is free from advertiser influence.

There are two people full time in news and three part-timers, with the news simulcast on all three stations during the morning, noon and afternoon drive. Howell says people turn to them for the news. "We have a historic image in news, and we work hard to cultivate it."

Jerry Hunt figures the news makes at least some money, but that "it's not as important as it once was." Hunt has been in the business since 1965. Now he's news director at WDXI-AM (business news) and WMXX-FM (oldies) in Jackson, TN (medium to large market). The FM station runs news only during morning drive; the AM runs news during the morning

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News Department Budget Changes For Television

	Increase	Decrease	Same	Don't Know
ALL TV	72%	7%	17%	4%
	Increase	Decrease	Same	Don't Know
MARKET SIZE:				
ADI 1-25	61%	7%	21%	11%
ADI 26-50	73	5	18	4
ADI 51-100	82	10	8	0
ADI 101-150	66	10	21	3
ADI 151+	73	2	19	6
	Increase	Decrease	Same	Don't Know
FT STAFF SIZE:				
51+	80%	10%	10%	0
31-50	77	8	13	2
21-30	80	6	14	0
11-20	70	5	21	4
1-10 FT=Full Time	39	12	31	8
	Increase	Decrease	Same	Don't Know
REGION:				
Northeast	83%	1%	8%	8%
Midwest	65	7	24	4
South	71	8	18	3
West	79	11	5	5
	Increase	Decrease	Same	Don't Know
AFFILIATION:				
ABC	78%	6%	11%	5%
CBS	75	9	13	3
Fox	76	0	19	5
NBC	75	7	17	1

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"We [were never] a starting ground for people. Now, because the smaller places are gone, we hire starters."

drive plus the noon, 4 p.m. and 5 p.m. time slots. Hunt says that if people really want news, they can turn on a news channel on TV or tune to an all-news station on the radio (in a larger market). "I don't think it [radio news] will disappear completely," says Hunt. But since he's the only one left in news, it can't get much smaller than it is right now.

News is still important at KBZY-AM (adult contemporary) in Salem, OR (medium market). News Director Steve Kaye says the station makes its mark in local news, and that local identity has translated into real profit for the station. The station runs news in morning drive, the noon hour, afternoon drive and evening. The key, says Hunt, is the local community orientation. "All the news sponsorships are sold out," says Hunt.

"News is the bedrock of the station," says Tim Lyon, news director at WJON-AM (news/talk) in St. Cloud, MN (medium market). "Everything else is an out-

growth of news." The station does two newscasts an hour from 6 a.m. to 5 p.m. "It's an expensive proposition," Lyon notes of the four person staff, "but we're it in St. Cloud." They also run some news on two of their three FM stations: WWJO-FM (country) and KMXX-FM (oldies), but not on KKJM-FM (contemporary hit radio). "It's not as important to those formats," says Lyon, "but it adds something."

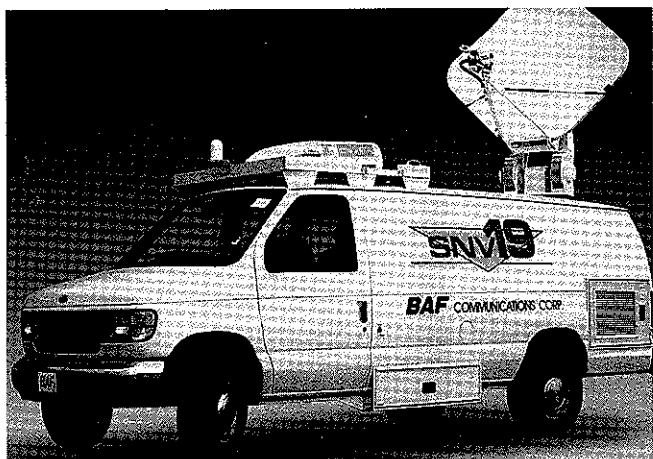
Lyon says he's sorry to see the competition in news disappear. "I've seen it in [many cities]. It's really sad—[to] see cities go down to one newspaper. Now we see it in radio; we're the one station here making any serious effort to keep radio news up and running....And many smaller places are giving up news completely."

Lyon says his hiring has changed as radio news has lost ground. "We [were never] a starting ground for people. Now, because the smaller places are gone, we hire starters. It's kind of scary." And Lyon says it drives down wages, since he can't justify hiring inexperienced people

at the same salaries he pays people who have been in the business.

Tom Hilkemeier says news "seems" to make a profit since "all the sponsorships are filled." Hilkemeier handles the news for KCNI-AM (country) and KBBN-FM (classic rock) in Broken Bow, NE (small market). They run 15 minutes of news at 6 a.m., 7 a.m., noon and 5 p.m. on the AM station and shorter newscasts at 7 a.m. and 5 p.m. on the FM station. Hilkemeier says there's just a weekly paper in the area, so the stations are the only source of local news for the 15-20,000 people in the area. ■

Bob Papper is associate professor of telecommunications at Ball State University and has worked extensively in radio and TV news. Michael Gerhard is assistant professor of telecommunications at Ball State and has extensive industry and research experience. This research was supported by the Department of Telecommunications at Ball State University and the Radio and Television News Directors Foundation.



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