New York Times Continues Free Fall

Just days before the sale was announced the *Times*' chief executive officer, Janet Robinson, also announced her retirement. She had been in the difficult position of trying to put a positive spin on bad news to the point where even comedian Jon Stewart took advantage of her woes in a short video clip.

The visible decline of the *Times* has been tracked for years. Eric Englund, publisher of the *Hyperinflation Survival Guide*, noted back in February 2009 that the *Times*' financial position was teetering on the edge of insolvency despite having been profitable for seven of the previous nine years. After declaring dividends and buying back its shares to support the company's stock (which traded as high as 55 in the summer of 2002 and now trades at less than 8), Englund concluded that the company had a *negative* net worth of $171 million and stayed alive only by selling assets and borrowing. At the time he predicted that the *Times* would either be sold or would be forced into bankruptcy.

That didn't happen, and in May of this year Englund took another look at the *Times*' balance sheets and discovered that it had found ways to borrow even more. In 2009, the *Times* borrowed $227 million from companies owned by Carlos Slim, the Mexican business tycoon alleged to be the world's richest man, at an astonishing interest rate of 17 percent. It sold and then leased back its 800,000 square feet of office space, generating another $210 million in cash, with an effective interest rate of 13 percent. And it sold some senior unsecured notes in November of 2010, generating another $220 million, but costing the company seven percent interest.

Gary North chimed in last May with his analysis of the *Time's* accelerating decline, noting one of the primary reasons the *Times* was in trouble: *Craigslist*. With people able to buy and sell online for free, advertising revenues began to decline along with subscriptions. The overhead costs remained, however, and the *Times* hasn't been able to come up with a new model that generates profits. The news was so bad back in April that North gave CEO Robinson his coveted *Kenneth Lay Corporate Enthusiasm Award* for this verbal attempt to turn a sow's ear into a silk purse:

> Our operating performance reflects the continuing transformation of our Company, which intersected with an important milestone in the first quarter. While the challenges for our Company and for the larger economy are not yet behind us, the recent launch of *Times* digital

> subscription packages on NYTimes.com and across other digital platforms brings our plan for a new revenue stream to life, offering us another reason for optimism about the future of our Company.

Such verbal shenanigans don't cut it with the Securities and Exchange Commission, which requires the *Times* to be forthright about its real financial position every quarter by filing a 10-Q. Here is what its latest report said:

> During the first quarter and first nine months of 2011, we experienced a decline in total revenues of 3.1% and 3.0% respectively, reflecting the continuing uncertainty in economic conditions and ongoing transformation of our industry….
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> Advertisers exercised more caution than in the first half of 2011 in response to uneven economic conditions and lingering uncertainty about the economic outlook….
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> Compared to the prior-year, total advertising revenues decreased 8.8% in the third quarter of 2011 as print advertising revenues declined 10.4% and digital advertising revenues declined 4.5%….
>
> Visibility remains limited for advertising.

Even its attempts to digitalize its offerings have failed to get traction:

> [Our] About Group advertising revenues decreased in the third quarter and first nine months of 2011 compared with the same prior-year periods mainly as a result of declines in both cost-per-click and display advertising. Cost-per-click advertising revenues declined primarily due to lower click-through rates and the negative effect on page views, mainly due to increased competition.

None of the commentators suggested that part of the *Times*' problem is that fewer people want to read it because it is so far away from the news that people increasingly want. The alternative media, thanks to the Internet, is providing what the *Times* won't: objective, fair, complete, and accurate reporting of the news. Even here, the free market continues to wreak its havoc on providers who fail to provide what people want, and as a result the *Times* is slowly being relegated to the ash heap of history.