BEAT BASICS

by veteran business journalists

COMPILED BY THE DONALD W. REYNOLDS NATIONAL CENTER FOR BUSINESS JOURNALISM

Donald W. Reynolds National Center for Business Journalism

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Covering a beat can be terrifying. A reporter is thrown into a new assignment, sometimes with little preparation. He or she is expected to intelligently interview people who've spent their careers as experts in their field. These newcomers also must compete with seasoned veterans, who may have been covering the same topic for years, and have enviable source lists.

Beats are especially challenging when it comes to covering money. There is jargon to learn. History to understand. And always, the chase after the new.

You can be forgiven for exclaiming, *"How am I ever going to know this?"*

Luckily, the Reynolds Center is here to help. We've taken our Beat Basics series, originally produced for BusinessJournalism.org and compiled it in this handy eBook.

Need to know about technology? Check. Have you been asked to write about manufacturing? There are tips here. You can also find information about covering sports, the economy, health care, and many, many more topics.

Whether you're assigned to cover a specific beat, or just need some help to get you through a story, our guide has answers. We can't promise you'll look like you've been covering it forever on your first time out, but you'll get valuable advice from the experts who have covered this subjects for a while.

Feel free to share the word about our eBook with your colleagues, editors, professors and students.

We teach money, and we hope you will learn from *The Reynolds Center Guide To Business Beat Basics.*

PART I.

COVERING AGRICULTURE

Agriculture is a business that is changing rapidly and offers a variety of rich stories. Perry Beeman, senior environmental and agriculture, reporter at *The Des Moines Register*, explains the beat's basics. Originally published Feb. 28, 2012.

CHAPTER 1.

COVERING THE AGRICULTURE BEAT: AN INTRODUCTION

Agriculture may seem like a simple job. Prepare the soil, apply chemicals, plant, harvest, repeat. Right?

In fact, it's a complicated endeavor in the best of circumstances. Farming is a bedrock industry that is directly affected by weather, natural disasters, climate change, and market forces that landowners can't control.

Farmers, at least those still running largely independent, smaller-scale operations, are business men and women. They are a compelling mixture of agriculture scientist, commodity producer, investor, accountant, equipment-repair expert, geneticist, animal husbandry authority, soil conservationist and risk-taker.

Think of the challenges. Today's farmers need to choose from among a dizzying array of seeds, many genetically modified. They buy elaborate combines worth more than many Midwestern homes. They have to decide how much to spend on inputs – fertilizer and chemicals – and how best to keep those essential elements on the field and out of the rivers.

And it doesn't hurt to know how to rain dance.

Long before computers became a mainstay of most American households, many Midwest farm houses had a special, dedicated machine that delivered forecasts (in addition to a radio). The skies are part of the gamble. Grain farmers apply fertilizer, sometimes in the fall and always in the spring, with the hope that Mother Nature won't wash away the food before the hungry seeds need it.

They use manure – you'll hear the term 'biosolids' sometimes – as fertilizer to save money. The material is knifed into the soil to help keep it close to the crops.

Whether they are successful depends on rainfall. And the climate is changing, adding more financial risk to farming, ranching, and orchard work.

Climate change threatens to change the usual pattern. Iowa, one of the premier grain-growing states, will become more like southern Kansas or northern Arkansas if the climate modelers are correct. That means drier, and hotter. And more prone to drought.

But the Midwest also could be flooded more. Rain is expected to come more frequently in deluges, rather than sprinkles, raising the risk of floods that can ruin crops. Pests used to doing their damage

in southern climes may move north, forcing seed companies to engineer new traits capable of fighting them.

With all those challenges though, comes promise. Scientists are looking for crops that can produce more grain with less fertilizer – good for farmers' wallets and for the environment. There is talk of corn varieties that could be grown farther north. And grain crops may one day be mainstays in the genetic work needed to create new medicines.

The value of corn alone has grown by three- or four-fold in recent decades as demand grew both feed the world's skyrocketing population and to produce ethanol.

That may seem like long-overdue good news for the farmers – who for what seemed like decades got paid the same price while soda makers who use corn sweeteners got bigger paycheck by raising product prices. But increases in grain prices are bad news for farmers who feed cattle and hogs, for example. Higher corn prices mean higher meat prices at the grocery store, typically. And the fledgling ethanol industry suffered an almost immediate shakeout when the price of corn, the main feed stuff for today's biofuels industry, spiked.

Another new complication: regulations. Though farmers are a politically powerful lobby – don't forget Iowa hosts the first presidential caucus of each season – they are having a hard time fighting off challenges in Washington, D.C. Taxpayers are rebelling against aid payments to farms that are enjoying those high grain and meat prices. They wonder why farms are exempt from so many environmental regulations that apply to virtually every other major industry. Can you imagine if 3M decided to spread a byproduct across the landscape without a permit, as most farmers do with both synthetic fertilizers and manure? And what if the firm wasn't held accountable for direct damage to streams? Farmers often aren't.

Some of those issues are accompanied by the trend to large-scale livestock confinements and feedlots, another big story.

Virtually every state has some kind of active agriculture. California is one of the heavyweights, with crops ranging from lettuce to wine grapes. Grain farms dominate the Midwest. Large-scale livestock farms, many of which are CAFOs, or confined animal feed operations, are prevalent and environmentally controversial from North Carolina to Iowa, Missouri to Utah. Sometimes the location of these facilities, and the lack of local governmental power to control their siting, sets off spirited political debates akin to when someone tries to find a spot for a new landfill or nuclear plant.

One of the nation's oldest, most-valued industries – agriculture – offers stories virtually anywhere, from the cranberry operations of Michigan to New England syrup operations, from the Corn Belt of the Midwest to the ranches of Texas and Wyoming and the vineyards of California.

Agriculture is a business that is changing rapidly in ways that offer even more stories. The resources are rich and local. It is fertile journalistic ground, indeed.

CHAPTER 2.

COVERING AGRICULTURE: IDENTIFYING LOCAL STORIES, ANGLES

Agriculture stories are everywhere. Perhaps more so than on other beats, though, it pays to get out of the office.

If you are reporting in a rural area, you should stop by a local café where farmers have breakfast. You should pop by the grain elevator and strike up a conversation. Or, to the extent possible, just listen.

If there's a local co-op, go down and meet some of the gang. Pop in at the local office of the Farm Service Agency or the Natural Resources Conservation Service.

These people know the local farmers, and they know what's going on, from soil conservation and tillage trends to projects intended to cut erosion and protect waterways from siltation (which, by the way, raises the cost of treating drinking water, which in turn affects anyone with a tap).

Farmers can be a reserved bunch. But they generally are some of the proudest and friendliest people around, and if you can spend some time gaining their trust, they'll be glad to tell you about their business. These are people who follow the environmental conditions that affect their business by the day. Has it rained enough? Too much? How is the soil moisture? Are we in a drought? Will it be a bad year for pests? Too wet to get into the field?

All these questions could lead to a story for you. But it's good to think about topics that hit home. When you shop for groceries, pay attention to produce and meat prices. They can be ready stories. When grain prices started rising after years of $2 a bushel corn, that was good news for the farmers who grow those crops. But high-priced grain often means price hikes at the meat market, which directly affects many of your readers. It can put pressure on biofuels plants, too.
And there can be weirdness in the produce markets, brought on by everything from frost and freeze problems in Florida's orchards to droughts across the land. One time some years ago tomatoes were selling in Des Moines for more per pound than the top sirloin steak. That's a story consumers will read, even if it's not necessarily good news.

You should also comb key websites, from the Farm Bureau to the U.S. Department of Agriculture. It's also a good idea to check environmental sites, such as the Environmental Working Group, your local environmental council, if you have one, or Sierra Club. The environmental effects of agriculture are big news, and have one Pulitzer Prizes for the likes of the now-retired James Risser, who once covered those issues for The Des Moines Register.

And don't forget other angles related to agriculture. The farm crisis of the '80s was front page news for years. Get to know the local bankers who lend farmers money, and watch for signs of trouble. A sure one: a long list of farm sales in the classifieds.

Farming can be dangerous, and sometimes we don't pay enough attention to the loss of limbs, or lives, on the back forty. Reporter Tom Knudson of the Sacramento Bee won a Pulitzer while he was at the Des Moines Register, reporting on those very issues. Look for patterns that might suggest a manufacturer's equipment has safety problems.

If you can, attend your local Farm Bureau convention, where delegates decide policy. These can be controversial and attract opposition, but they show what is on farmers' minds and how they would like to see the agricultural world run. Watch the newsletters and websites of key members of Congress – those on the agriculture committee, for example – to see what is brewing.

Anytime the Farm Bill is up for a rewrite there is potential for all kinds of news. Will lawmakers make this the year that they dredge up the money to pay for more soil conservation? Will farmers be required to use sound conservation techniques in exchange for federal assistance? Will there be any action to stem the flow of nitrogen from the Corn Belt to the Gulf of Mexico, where the fertilizer causes oxygen depletion in an area commonly called the Dead Zone?

As with many beats, it's best to look for ways agriculture affects lives, on and off the farm. You won't have to look far for impact.

CHAPTER 3.

COVERING AGRICULTURE: CHALLENGES

Covering agriculture presents some challenges, like any other business beat. Here are a few things to watch.

DON'T OVERSIMPLIFY

Agriculture stories can be complicated. Think about how the news you are covering affects different sectors of the ag industry, and, of course, various consumers. A rise in grain prices probably means higher meat prices. Grain exports from Brazil could affect American markets. A mad cow scare in Britain could affect beef markets in the United States.

KNOW THE PLAYERS AND HOLD THEM ALL ACCOUNTABLE

Some farm groups want to vilify environmentalists for raising questions about farm pollution. Some environmental groups fail to give credit to the large number of farmers who work hard and spend plenty of cash to save soil and reduce pollution, in most cases voluntarily. Be fair, listen to all sides of agriculture issues, and keep asking the central questions: So what? How does this affect my readers? What is the impact of this story?

UNDERSTAND THE TERMINOLOGY

Make sure you know what the source is talking about, and don't worry about asking "stupid" questions, because there aren't any. If you don't know what CRP means (Conservation Reserve Program, a key voluntary U.S. program to provide habitat and soil conservation), ask. If you think heifers are a specific breed of cattle, go to the dictionary.

KEEP DEBATES ON YOUR RADAR

Agriculture might seem like a straightforward, worthy businesses. In ways, it is. But don't miss the news of the many controversies that surround this industry. Should farmers avoid the pollution controls applied to so many other industries? Should Americans subsidize grain prices when they have risen sharply? Should farmers who take federal aid faced aggressively enforced requirements that they install soil conservation practices? Should large-scale livestock confinements face sewage regulations similar to factories?

TRACK THE IMPACT OF PRICES

Don't assume that higher grain prices are universally good for farmers. For those that also raise live-

stock or invest in ethanol plants, the higher grain prices end up increasing the cost of raising cattle, for example.

DIG INSIDE THE POLITICS

Don't divorce your stories from the underlying political scene. You should always follow the money in the stories, but don't forget the political capital. Farmers are one of the most powerful lobbies out there. Iowa's caucuses begin every presidential election cycle. Pay attention. Read the campaign finance disclosure forms for your local elected officials and members of Congress.

GET YOUR SHOES MUDDY

You can't really get to know farming unless you get out and get some dirt under your nails. Visit a hog confinement, where you'll be asked to shower before and after your visit, so be prepared. Get out in the field. Ride along in a combine. And don't forget to stop by the local café for some eggs and current events.

KEEP AN EYE ON CHANGES

Finally, like any business, this one changes. Every time there is a Farm Bill rewrite, the rules of agriculture change a bit. Keep up on the changing political landscape. Watch for the U.S. Environmental Protection Agency to become more aggressive on agricultural issues, eventually.

CHAPTER 4.

COVERING AGRICULTURE: RESOURCES AND SOURCING

Here are a list of resources to aid in your coverage of agriculture-related topic.

PEOPLE TO TALK TO

To cover the agriculture beat with precision, you have to develop rich sources. Here are a few groups you should be chatting with frequently.

- Farmers, especially as spring planting approaches in May and June, and at harvest in October and November. Catch them over winter in the north, for long-term projects. They'll have more time.
- Farm groups
- Environmental groups
- University researchers , especially when they release new, peer-reviewed studies.
- Economists

SCANNING THE WEB

It's important to check agriculture-related websites frequently. Below are sites to make sure you bookmark.

- CropLife International – industry group that offers information on pesticides and other chemical use, plus developments in biotech and seeds.
- Chicago Board of Trade – for crop prices, grain futures, other news.
- National Cotton Council – a one-stop shop for industry news.
- Environmental Working Group – nonprofit organization that has analyzed federal payments to farmers, showing that a small share get the bulk of the aid.
- North American Agricultural Journalists – an association of farm editors and writers, runs an annual contest and an annual conference.
- Society of Environmental Journalists – resources for staff journalists and freelancers, including huge topical index of sources, a member listserv offering advice on deadline, an elaborate website with resources even for nonmembers, and an annual conference that often examines agricultural issues.

DEVELOPING A LIBRARY OF RESOURCES

Find your favorite reading chair and cozy up with one of these agriculture books. This reading list will ensure you have a solid grasp of key topics.

- The Meat You Eat: How Corporate Farming Has Endangered America's Food Supply, by Ken Midkiff.
- Farm, by Richard Rhodes
- Omnivore's Dilemma, by Michael Pollan
- Three Farms, by Mark Kramer
- Fateful Harves, by Duff Wilson
- CAFO (Concentrated Animal Feeding Operations): The Tragedy of Industrial Animal Factories, edited by Daniel Imhoff Watershed Media
- The Agrarian Vision: Sustainability and Environmental Ethics, by Paul Thompson.
- Foodfight: The citizen's guide to a food and farm bill, by Daniel Imhoff
- Raising a Stink: The Struggle over Factory Hog Farms in Nebraska, by Carolyn Johnson
- The Economics of Food: How Feeding and Fueling the Planet Affects Food Prices, by Patrick Westoff
- Against the Grain, by Richard Manning
- Grassland, by Richard Manning
- Food Fray, by Lisa Weasel
- Fast Food Nation, by Eric Schlosser
- Long Deep Furrow: 3 Centuries of Farming in New England, by Howard S. Russell, Mark Lapping
- Cadillac Desert, by Marc Reisner
- Hole in the Sky, by Bill Kittredge
- Parsnips in the Snow, by Mary Swander
- Where Our Food Comes From – Retracing Nikolay Vavilov's Quest to End Famine, by Gary Paul Nabhan
- Chasing Chiles – Hot Spots Along the Pepper Trail, by Kurt Michael Friese, Kraig Kraft, Gary Nabhan

CHAPTER 5.

COVERING AGRICULTURE: GLOSSARY OF TERMS, CONCEPTS

Understanding the basic terms associated with agriculture-related topics will give you the knowledge base to conduct solid interviews and identify key trends.

To get you started, here's a list of keywords to familiarize yourself with:

Agricultural Adjustment Act of 1933

This set up the system of price supports.

Agriculture Census

A treasure chest of information from the U.S. Department of Agriculture on how the land is used, and what is raised on it.

Agronomy

The science of growing crops and managing soil.

Alternative farming

Basically anything but growing one crop with conventional fertilizer. Can mean using only manure for fertilizer, growing organic crops, using integrated pest control.

American Farm Bureau Federation

Mainstay farm organization, pushes for policies that benefit agriculture.

Animal unit

A unit of measure based on feed requirements. A 1,000 pound beef cow equals one animal unit, for example.

Aquaculture

Producing aquatic animals or plants in ponds, tanks or other controlled environments. Example: catfish.

Artificial insemination (AI)

The injection of semen into a female animal with a syringe.

Biological control of pests

The use of natural enemies such as Bacillus thuringiensis (Bt) to control pests.

Biologics

Serums, vaccines and other living or inactive organisms used to prevent disease.

Biotechnology

Gene manipulation and transfer, plant regeneration and other techniques using living systems.

Brucellosis

A contagious disease in beef and dairy cattle. Causes abortions. In humans, known as undulant fever.

BST

Bovine somatotropin, or bovine growth hormone. A hormone from the pituitary gland of cattle. Controls amount of milk produced by cows.

Combine

Machine used to harvest grain.

Confined animal feeding operations (CAFOs)

Commonly called confinements, these are the increasingly concentrated livestock operations that are the backbone of today's meat industry. They also are opposed by many environmentalists, small-scale farmers and others who see them as a unhealthy concentration of wealth and an environmentally dicey operation due to the amount of manure stored and spread in one area.

Census of Agriculture

Five-year check of the number of farms, land in farms, and other key statistics. Administered by the U.S. Department of Agriculture.

Chicago Board of Trade

Futures and options exchange, now run by CME Group. Prime source for grain prices.

Commodities

Grain, livestock, butter, milk, etc. For grain prices, see the **Chicago Board of Trade.**

Commodity Credit Corporation

Set up under USDA to protect farm prices. Includes loans that allow farmers to hold grain until prices rise.

Compost

Organic matter such as leaves or corn stalks that have been decomposed in a pile and turned into a soil-like material.

Conservation compliance

Some federal aid requires that farmers working highly erodible land follow a conservation plan.

Conservation district

Any unit of local government formed to carry out a local soil and water conservation program.

Conservation plan

Plans and practices meant to retain soil health.

Conservation Reserve Program (CRP)

Voluntary program through **U.S. Department of Agriculture** that offers rent payments to farmers who use practices to save soil, which in turn provides wildlife habitat and can improve water quality.

Contour farming

Planting at right angles to the natural slope to cut soil erosion.

Contract feeder

Those who raise livestock, hogs for example, which are owned by someone else, often a corporation.

Co-ops

Cooperatives, which are organizations owned and run by farmers, who share in the responsibilities and profits. Many early ethanol plants were set up this way, as were long-standing grain elevator operations and some local power utilities.

Cooperative Extension System

A network that links land-grant universities with the U.S. Department of Agriculture. A good source of information and tips on a wide range of agricultural topics.

Crop rotation

Changing crops from year to year to keep the soil healthy. For example, planting soybeans after a corn crop because soybeans are a legume that fixes nitrogen in the soil. Corn consumes nitrogen.

Dead zones

Areas of low oxygen in the Gulf of Mexico and elsewhere. Fertilizer runoff leads to algae blooms. When the algae die, oxygen is consumed, forcing sea creatures to move to a different area or die.

Disaster payments

Federal payments made to farmers when a natural disaster prevents planting or hurts yields.

Environmental Working Group

A nonprofit organization that has analyzed federal payments to farmers, showing that a small share get the bulk of the aid.

Ethanol

An alcohol fuel produced from corn, soybeans, sugar cane or other organic material.

Extension service

Education arm of land-grant universities, often with a wealth of information for reporters on both agriculture and climate.

Feedlots

Open areas where livestock, particularly cattle, are raised.

Fertilizer

Any organic or inorganic material used to feed a crop. Includes nitrogen, phosphorus, and potassium from synthetic sources and manure.

Fungicide

A chemical used to kill fungi on crops.

General Agreement on Tariffs and Trade

Known as GATT, an agreement that sets conduct codes for international trade.

Genetic engineering

Genetic modification of organisms to transfer traits.

Genome

All the genetic material in the chromosomes of an organism.

Green manure

Plants plowed under to improve soil.

Head

The business end of a combine or other farm machine, for example the apparatus used to harvest corn.

Herbicide

Chemicals that kill weeds.

Hog lots

A somewhat old-fashioned term that connotes raising hogs in a feedlot. In most cases, you'll be dealing with operations that raise hogs in climate-controlled, heavily automated confinement buildings, with thousands of hogs in a few buildings.

Humus

Decomposed organic matter in soil that provides nutrients and helps hold moisture.

Hydroponics

Growing of plants in fertilized water.

Integrated crop management

A system that uses cropping techniques to control pests, including the use of resistant plants.

Inputs

The items needed to grow a crop, including fertilizers and pesticides.

Local control

County zoning of livestock confinements. Not allowed in many states.

Leaching

The loss of fertilizer when rain washes it from the soil.

Legumes

Plants such as peas, beans, soybeans, peanuts, clovers, alfalfas, and sweet clovers that convert nitrogen from the air in to nitrates in the soil.

National Cotton Council

One-stop shop for industry news.

No till

Technique in which crop stubble is left on the field to hold soil in place.

Nematode

Microscopic soil worms that attack roots.

Nonpoint source pollution

Runoff from farms that can include soil, pesticides and chemicals.

National Pollution Discharge Elimination System (NPDES)

Machinery in the **Clean Water Act** that requires permits for many industries and sewage plants that discharge treated wastes into rivers. Many livestock operations don't need the permits, but the U.S. Environmental Protection Agency has moved to require them of larger livestock operations.

Natural Resources Conservation Service (NRCS)

Federal department, part of USDA that focuses on conservation and related work. Originally established as the U.S. Soil Conservation Service, its programs promote conservation on the 70 percent of the nation's land that is privately owned.Nutrient. A chemical element or compound plants need to grow.

Organic farming

A system that avoids using synthetic fertilizers and pesticides and growth regulators in feed.

Pesticides

Chemicals that kill crop pests such as root worms.

Price support programs

Government programs that attempt to keep farm prices above a certain level.

Public Law 480 (P.L. 480)

Common name for the Agricultural Trade Development and Assistance Act of 1954, aimed at expanding foreign markets for U.S. agricultural products.

Rangeland

Grassy areas used for livestock grazing.

Riparian rights

Legal water rights of a person owning land bordering a river or lake.

Ruminant

Animals such as cattle and deer with stomachs that have four compartments.

Silage

Fermented, chopped up grass, legumes, corn stalks used as animal feed..

Society of Environmental Journalists

Organization serving staff journalists and freelancers. Website includes huge topical index of sources. Member listserv offers advice on deadline. Annual conference often examines agricultural issues.

Sodbuster

Part of the Food Security Act of 1985 designed to discourage cropping on highly erodible land.

Soil erosion

T values**.** The soil erosion tolerance rate. Basically, the rate at which soil can be lost without losing too much. Takes into consideration how quickly new soil forms.

Sustainable agriculture

Systems that seek to grow crops and livestock while protecting the environment and using resources efficiently.

Swampbuster

Part of the Food Security Act of 1985 that discourages converting wetlands to crop fields.

Tillage

How the land is prepared for planting.

Yields

The amount of grain grown on a farm, usually expressed in bushels per acre.

U.S. Department of Agriculture (USDA)

runs the main farm support programs, including aid payments and environmental programs such as the Conservation Reserve Program, which pays farmers for planting natural habitat on marginal crop ground.

Zoonotic diseases

Diseases that can be spread from animals to humans.

PART II.

COVERING BUSINESS: AN INTRODUCTION

Welcome to the business beat. If you are new to business reporting – relax. Mark W. Tatge, an author, professor and investigative reporter who spent three decades as a journalist, is here to walk you through the basics. Originally published April 16, 2011.

CHAPTER 6.

COVERING BUSINESS: AN INTRODUCTION

Welcome to the business beat. If you are new to business reporting – relax. We have all been there.

My past experience is fairly typical of most reporters: I landed my first big-time job at the Denver Post. There was only one problem – my beat was banking, one of the toughest assignments on the business desk.

My background? I was a sociology major in college who studied the social-psychology of deviant behavior. Some of my colleagues joked that it was great preparation for covering business. Over the course of my liberal arts education, I had avoided math at every turn. Now, I had to tackle banking, a subject that scared the hell out of me.

But my nervousness subsided after I came to realize that business wasn't about numbers. It was about people. People read business stories and they want to read about other people. Numbers are only a way to keep score. They tell who won, who lost, who is on the way up and who is on the way out.

Good business journalists look for anecdotes, or personal stories that drive home a point. The numbers we use help punctuate the anecdote. When I worked at Forbes Magazine, we would spend days trying to find the number or simple, easy-to-explain metric that best described the point we were trying to make. Was the company a rising star or a dog with fleas?

Finding that key metric could make or break the story. A metric might be something as simple as how much American Airlines saved removing an olive from every salad served to passengers. Metrics are simply a measure or yardstick. They come from good, solid reporting.

To help ease your transition, here are a few other tips based on my more than two decades as a business editor and reporter:

MEET THE MOVERS AND SHAKERS

Spend some time learning who the industry leaders and laggards are. Is it a mature, slow-growing industry dominated by giants or a fast-growing sector with new faces?

SPEND SOME TIME TO LEARN THE LANGUAGE

Every beat has a lingo. You need to be able to speak it. Airlines measure revenue per available seat mile. Banks have net interest income. Retailers report comparable-store sales.

FIND A MENTOR

Countless industry insiders, chief executives and journalists helped me establish myself as a business reporter. They taught me the ropes and gave me tips on how to navigate the terrain.

DEVELOP A LIST OF GO-TO EXPERTS

These are technical sources such as accountants and tax attorneys who can help you make sense of complex topics.

FIND THE FOLLOWERS

Read what other reporters write. But it is more important you connect with people who provide goods and services to the industry you cover – the suppliers, consultants, analysts, lawyers and investment bankers.

ALWAYS TRIPLE-CHECK YOUR NUMBERS

I once wrote about FedEx's new package-handling system but overlooked a glaring error. The article stated that packages whiz by at "540 feet per second." A clever reader caught the mistake and wrote: "By my math that equates to 368 mph. Please explain to me how FedEx keeps the packages from catching fire."

REMIND YOURSELF TO BE PATIENT

Learning a beat takes time. Don't expect to become an expert overnight.

CHAPTER 7.

COVERING BUSINESS: FINDING LOCAL STORIES

The best business stories are local.

Finding these types of stories isn't difficult. They pop up all the time. You just need to start paying attention. One day gas and food prices are on the rise. The next, a local foundry closes its doors and moves its operations to China. On the way to work, you pass by city hall. Taxpayers are loudly picketing over a proposed property tax increase.

With so much free content competing for eyeballs, the challenge is learning how to put these events in context. Reporters need to explain the implications of a particular development. There is no better place to do that than in your own backyard.

In every story you produce, you should be able to answer the following question: How does what just happened relate to what is happening in the larger landscape?

For example, if you suddenly hear that the Federal Reserve is pumping money into the economy, driving down interest rates, you need to be able to say whether this is a good or bad thing for consumers.

In today's fast-paced world, good business reporting is more about figuring out the impact of recent events. You also need to give news consumers an idea of what is ahead around the bend.

Employing this strategy, here is a sample of the local stories that can be done by print, Web and broadcast reporters:

JOBS

Few issues generate greater interest than jobs. Jobs are an emotional issue. And in today's environment, workers who are lucky enough to have jobs are always looking over their shoulder to see if they are going to be replaced. Meanwhile, workers who have lost their job are struggling to bounce back.

INFLATION

Prices are a classic pocketbook issue. People are always interested in what is happening with prices. The federal government reports what is happening to consumer and producer prices each month. Both indexes produce fodder for reporters who want to write local stories.

HOUSING

Everyone needs some place to live. Housing is also the single biggest purchase an individual will make in his or her lifetime. New- and existing-housing sales, new-house starts and housing foreclosures are tracked by the government and monitored closely. Why? Housing has a major impact on other parts of the economy, most notably construction, home remodeling and retailing.

Every city, town and state is looking for the next big idea on how to grow and attract and retain new jobs. Should local governments slash taxes? Or should officials relax regulations governing safety and pollution? There is a constant push-pull here between government and the private sector that makes for good local stories.

TRANSPORTATION

Better known as planes, trains and automobiles. Commerce depends on people being able to get around and get to work. Automobiles have become a fixture in American society. Cities are ringed with expressways. Once a nation of railroads, most freight now travels by road and air. Without efficient transportation, the economy grinds to a halt.

CONSUMER SPENDING

Two-thirds of our economy depends on people buying stuff. This is why economists refer to the U.S. as a consumer economy. A great deal of attention is paid to whether consumers are shopping and what they are buying at any given time of year. This is one of those low-hanging stories waiting to be plucked.

TAXES

How much businesses and individuals pay in sales, property, and income taxes on every dollar earned affects both investment and consumption patterns. Yet, taxes often receive little attention from business reporters. Remember: Taxes do matter.

CHAPTER 8.

COVERING BUSINESS: RESOURCES AND READING

TUTORIALS AND GUIDES

- Understanding Wall Street, by Jeffrey B. Little and Lucien Rhodes
- Barron's Dictionary of Finance and Investment Terms, by John Downes and Jordan Elliot Goodman
- The Wall Street Journal Complete Personal Finance Guidebook, by Jeff D. Opdyke
- Understanding Financial Statements, by Lyn M. Fraser and Aileen Ormiston
- Show Me the Money: Writing Business and Economics Stories For Mass Communication, by Chris Roush
- The Business of Bull-shit – a humorous guide to spin, hype and pretense in the modern world, by Graham Edmonds
- Live Well on Less Than You Think, by Fred Brock.
- Math Tools for Journalists, by Kathleen Woodruff Wickham
- The Wall Street Journal Complete Money & Investing Guidebook, by Dave Kansas
- Financial Shenanigans: How to Detect Accounting Gimmicks and Fraud in Financial Reports, by Howard Schilit.
- Freaknomics: A Rogue Economist Explores The Hidden Side of Everything, by Steven D. Levitt and Stephen J. Dubner
- The New York Times Reader: Business and Economics, by Mark Tatge
- Making the Most of Your Money, by Jane Bryant Quinn

GOOD READS

- The Accidental Investment Banker, by Jonathan A. Knee
- The Number: How the Drive for Quarterly Earnings Corrupted Wall Street and Corporate America, by Alex Berenson
- MoneyBall, by Michael Lewis
- The Predators' Ball, the Inside Story of Drexel Burnham and the Rise of the Junk Bond Raiders, by Connie Bruck

- The Corporation: The Pathological Pursuit of Profit and Power, by Joel Bakan
- Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron, by Bethany McLean and Peter Elkind
- Beyond Greed: How the two richest families in the world – the Hunts of Texas and the House of Saud tried to corner the silver market, by Stephen Fay
- How Markets Fail: The Logic of Economic Calamities, by John Cassidy
- The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It, by Scott Patterson
- Too Big to Fail, the Inside Story of How Wall Street and Washington Fought to Save the Financial System and Themselves, by Andrew Ross Sorkin
- After-Shock: The Next Economy for America's Future, by Robert B. Reich
- The End of Shareholder Value: Corporations at A Crossroads, by Allan A. Kennedy

THE CLASSICS

- The Robber Barons, by Matthew Josephson
- The Intelligent Investor, by Benjamin Graham
- Reminiscences of a Stock Operator, by Edwin Lefevre.
- When Money Dies: The Nightmare of Deficit Spending, Devaluation and Hyperinflation in Wimar Germany, by Adam Fergusson
- A Random Walk Down Wall Street, by Burton G. Malkiel

PART III.

COVERING COMPANIES: A GUIDE TO SEC DATABASES

Theo Francis, a financial and investigative reporter for *The Wall Street Journal* who has worked for footnoted.com and BusinessWeek, gives us a step-by-step guide. Originally published Feb. 12, 2014.

CHAPTER 9.

10-K FILINGS GUIDE: INTRODUCTION

If you use just one document when writing about a public company, use the 10-K – the annual report that publicly traded companies file with U.S. securities regulators.

At first glance, these filings can be daunting. They're loaded with numbers, tables and dense paragraphs of business and accounting jargon. And they can be huge – Bed Bath & Beyond once filed a 10-K that clocked in at 485 pages, and most are over 100 pages.

But they also serve up the most comprehensive picture of a company available to outsiders – the closest thing to the unvarnished truth that you're likely to find outside confidential internal documents. And, with a little effort, even beginners can get a lot out of them.

Pretty much every public company trading on a U.S. exchange must file a 10-K, or the equivalent filing for foreign companies, the 20-F. The biggest companies must file it no more than 60 days after their fiscal years end. Smaller companies have up to 90 days. Although most companies close their books for the year on Dec. 31, putting the big 10-K deadline in early March, plenty wrap up the year on March 31, June 30 or Sept. 30 – or, especially at retailers, on more idiosyncratic dates. For example, Dillard's Inc., an Arkansas-based department-store chain, ended its fiscal 2012 on Feb. 2, 2013.

You can find 10-Ks alongside other filings, in the Securities and Exchange Commission's Edgar database, or on any of the commercial filing services. (See Resources.) From the SEC's Edgar search page, enter the company's name or ticker symbol, and hit Enter (or click Find Companies). To filter out everything but annual filings, type "10-K" in the Filing Type box and hit enter.

The 10-K is meant to be a just-the-facts informational document, but it's written by company management, and so tells the company's story from their perspective. But it isn't the same as the glossy, colorful annual reports that companies feature on their websites and still occasionally send in the mail to investors; those amount to marketing documents, even if they draw on the same underlying information that you can find in the 10-K.

The 10-K is also different from the company's fourth-quarter earnings release, though it covers much the same time-period. Companies have a lot more leeway when they draft earnings releases, as we noted in our guide to the 10-Q LINK TK, and can gloss over unpleasant details. The 10-K, however, is even more restrictive than the 10-Q: In some instances, developments that can be left out of a quarterly report must ultimately be disclosed in a 10-K, unless companies want to face the eventual wrath (and potential lawsuits) of their regulators and shareholders.

READING A 10-K

Think of a company's three 10-Q filings as a quarterly progress report. By contrast, the 10-K actually does double duty: It's the quarterly report for the final quarter of the company's fiscal year; as a result, much of the advice I offered in the 10-Q guide applies to the 10-K as well.

But the 10-k also offers a summation of the full year, all in one place. You get a financial report card for the year that just ended (the income and cash-flow statements), as well as a snapshot of the company's financial health at year's end (the balance sheet and statement of shareholders' equity). You get an aerial view of the company's operations, from its business lines to its properties and market performance. You get updates on a lot of crucial kinds of developments, from lawsuits and regulatory inquiries to the laundry-list of risks the company faces. And you get management's interpretation of it all – plus, in some cases, the original documents and contracts that underlie important developments.

As you read or skim a 10-K, keep in mind that the news often lies in what's changed from prior filings. That may be a change from the prior year – what investors call "year-over-year" comparison – or from the prior quarter (the third quarter of the fiscal year).

Both can be important. Year-over-year changes are generally the standard for financial performance, especially in cyclical industries, like home-building, which tend to ebb and flow with the calendar. In other circumstances, quarter-to-quarter changes may matter more, especially where a company is under significant financial or competitive pressure, or there have been major operational changes in over the previous year.

As with a 10-Q, the cover page of a 10-K has some basic reference information, including the full formal name of the company, its headquarters and the number of shares outstanding at the end of the year.

The rest of the 10-K is divided into four parts and roughly 14 numbered sections, depending how you count. (See the complete list in the federal regulations.) The next section of this guide will step through each of those briefly.

CHAPTER 10.

10-Q FILINGS GUIDE: INTRODUCTION

If you want to understand how a company is doing, the answer is often close at hand, in its most recent quarterly report.

MEET THE 10-Q

In this tutorial, we'll be looking at quarterly reports issued by publicly traded companies and filed with the U.S. Securities and Exchange Commission. (Some private and foreign companies also issue quarterly reports, but they often follow different rules.)

Also called 10-Q filings, after the code used to identify them in the SEC's database, they can range from a few dozen pages to hundreds of pages in length, especially when you take exhibits into account. Companies file 10-Qs three times a year, within 40 to 45 days after the end of their first, second and third fiscal quarters. (The fourth quarter brings an annual report, filed on Form 10-K, which will be covered in a future guide.)

Many companies' fiscal years follow the regular calendar, with quarters ending March 31, June 30, Sept. 30 and Dec. 31, but there are exceptions. Wal-Mart Stores, for example, ends its fiscal year on Jan. 31, to capture the full Christmas-to-New Year's selling season in one quarter; many retailers do something similar. Knowing when a company closes its books for the quarter gives you a good sense of when it's likely to file its 10-Q.

EDGAR ON QUARTERLY REPORTS

Once you pull up a company's filings, you can show just the 10-Q filings using Edgar's Filter Results field.

You can find 10-Q filings the same way you find proxies: via the Edgar database or any of the various services that build on it. (See Resources.)

From the SEC's Edgar search page, enter the company's name or ticker symbol, and hit Enter (or click Find Companies).

The results page includes most or all filings by the company; to get just quarterly reports, type "10-Q" in the Filing Type field and hit Enter.

Think of a 10-Q as a regular progress report, a three-month window into the company's financial health and operational well-being.

It's published by the company, nominally for the company's shareholders and potential investors.

In reality, it sometimes reads as if company lawyers drafted it purely for regulators and other lawyers.

ALL REPORTS ARE NOT EQUAL

Don't confuse 10-Q filings with a company's quarterly earnings report. There's overlap, but they are very different. The earnings report is essentially a press release; with some limits, companies can emphasize the good news and downplay, or even omit, the bad news much more readily than they can with 10-Q filings. Even where it includes a range of financial data, an earnings release typically contains a fraction of the detail that a 10-Q does. The earnings release often comes out first; by the time the 10-Q comes out days or weeks alter (or even just later in the day), most reporters and many investors have moved on to something else.

That's a mistake. The 10-Q often includes the bad news that companies would rather ignore, or hints of future developments that may be of great interest to investors, as well as to your audience. It's still written by company officials for public consumption, but companies have legal obligations to disclose certain kinds of information in a 10-Q, however unpleasant it may be.

For reporters, some of the most useful parts of the quarterly report look at first glance like intimidating blocks of boilerplate and jargon. But before tackling those – and looking at ways of deciphering them – it will help to understand how investors generally look at the document. For most of them, the heart of the 10-Q consists of the financial statements.

CHAPTER 11.

8-K FILINGS GUIDE: INTRODUCTION

When there's news at a publicly traded company, there's probably also an 8-K filing.

These are the filings that many investors watch most closely, and among the ones companies file most often.

They're also the filings most likely to generate headlines. Yet many business reporters overlook them, or fail to use them to their fullest.

That isn't surprising: 8-Ks are easily the most varied of the disclosures commonly filed with the Securities and Exchange Commission. They don't appear at regular intervals. Companies file them for dozens of reasons, from disclosing the sudden departure or death of a chief executive to recording minor changes in an obscure ethics policy. And plenty of companies file still more of the documents voluntarily.

But don't be intimidated: 8-Ks are also among the most reporter-friendly filings a company makes. They tend to be short and are usually clear about what they disclose. They even come numbered to indicated the general topics they cover, using an SEC-standard coding system.

In these posts, we'll look at what companies tend to disclose in 8-Ks, and how reporters can use them most effectively, whether to break news, stay on top of a beat, or inform a feature or investigative piece.

- This Introduction goes through why and when companies file 8-Ks, and where to find them.
- Kinds of 8-Ks lists some of the more common and useful categories of 8-Ks for reporters.
- Tips offers suggestions for making the best use of the filings.
- Traps and mistakes covers common challenges and points of confusion when using 8-Ks.
- Resources offers websites, organizations and publications that can take your reporting further.

In addition, be sure to check out the Glossary, which was published with an earlier guide on using proxy statements, but also includes terms from 8-Ks and other corporate filings.

THIS JUST IN

Officially, 8-K filings are called "current reports." As the name suggests, they're intended for disclosing timely information.

In fact, they can be used to disclose pretty much any information the company chooses to consider significant and timely enough to put on paper. Some companies, especially small ones, seem to file an 8-K for every press release (and then some).

But there are some events or developments that require companies to file an 8-K. These include signing or ending significant contracts (including employment agreements with top executives), filing for bankruptcy, acquiring or selling significant assets, releasing an earnings report, getting kicked off a stock market ("delisting"), changing auditors, revising flawed financial results, the departure of top executives or directors and disclosing the results of annual annual meetings.

Below, I'll go into more detail about some of the more useful categories of 8-Ks. In addition, the SEC has its own partial list in its How to Read an 8-K investor bulletin (PDF).

Note that several kinds of 8-Ks — including most of the above list — must be filed within four business days of the event that triggers a disclosure requirement (i.e., weekdays excluding federal holidays). Companies sometimes miss this deadline, though, or push filings to the very last minute, so keep your eyes peeled. And in Traps & mistakes, we'll look at some important qualifications to when and how these deadlines apply.

EDGAR KNOWS CURRENT REPORTS

You can find 8-K filings the same way you find proxies and quarterly reports: via the Edgar database or any of the various services that build on it. (See Resources.) From the SEC's Edgar search page, enter the company's name or ticker symbol, and hit Enter (or click Search). The results page includes most or all filings by the company; to get just quarterly reports, type "8-K" in the Filing Type field and hit Enter.

You can also pull up the most recent 8-Ks for all companies by going to the SEC's Most recent filings page, and entering "8-K" in the Form Type field. (Note that doing this will automatically capture amended 8-K filings as well as ordinary 8-Ks.) You can also narrow the search by company name or, if you know if, the company's Central Index Key (see Glossary); unfortunately, ticker searches aren't supported here.

Many 8-Ks include exhibits, listed in the index page ("Filing Detail") in Edgar. As discussed under Tips, these can be invaluable – don't overlook them.

FURTHER RESOURCES

Check out these links for additional help with reporting on financials:

http://businessjournalism.org/2013/03/25/proxy-guide-resources/

http://businessjournalism.org/2013/07/26/10-q-filings-guide-resources/

http://businessjournalism.org/2013/10/29/8-k-filings-guide-resources/

http://businessjournalism.org/2014/02/11/10-k-filings-guide-resources/

PART IV.

COVERING ECONOMICS

The economy is one of the most important beats for any journalist. It covers prices, interest rates, trade, unemployment, wages, government spending, taxes, etc. Grant Hannis, who spent 14 years as a senior financial journalist at Consumer magazine, breaks down the basics. Originally published May 2, 2011.

CHAPTER 12.

HOW TO COVER ECONOMICS: AN INTRODUCTION

This primer is for the novice economics journalist working at a local media outlet. Your editor is expecting you to know something about economics data and to report interesting stories that give a local flavor to the big economics stories. This primer tells you how to do that. No prior knowledge of economics is assumed.

The economics beat is one of the most important for any journalist. It reports on major events and phenomena that affect people's daily lives—prices, interest rates, trade, unemployment, wages, government spending, taxes, etc.

It is *not* the business beat. While business journalists report on companies' activities, financial results, etc., the economics journalist takes a much broader perspective. Economics reporting covers the impact of economic activity on businesses, consumers and the public at large.

Economics reporters who don't have formal economics training can still do a great job covering the economics beat. By avoiding the dense technicalities of advanced economics and statistics, they can report and interpret the data for a lay audience, interpreting the information for those in the real world.

The story of a country's economy is told by the economic indicators that statisticians collect and publish. There are a host of economic indicators produced by federal and state governments and by other agencies. The focus of this primer will be on understanding the main economic indicators and finding stories from the numbers.

CHAPTER 13.

COVERING ECONOMICS: GLOSSARY

Balance of payments

A financial statement of a country's economic transactions with the rest of the world, recording income and expenditure.

Basis point

1/100th of 1 percent. Often used to describe changes in interest rates. A rate that declines 25 basis points drops by one-quarter of 1 percent.

Consumer Price Index (CPI)

An index of the price of a basket of commonly purchased consumer goods. Here's a calculator.

Exchange rate

The price of one currency expressed in another currency. Here's a converter.

Federal funds rate

The interest rate banks and similar organizations charge each other for overnight loans. The Fed will buy and sell securities to ensure the actual Federal Funds Rate is in line with its target for the Federal Funds Rate.

Fiscal policy

The government's use of its taxation and spending activities to influence the economy.

Gross Domestic Product (GDP)

The total value of the final goods and services produced by an economy.

Index

A number showing the size of some variable relative to a given starting point, or base.

Monetary policy

The government's use of interest rates or availability of credit to influence the economy.

Nominal

A value measured without adjusting for inflation.

Quantitative easing

The Federal Reserve prints money and uses the money to purchase government bonds held by the banking sector, to increase the money supply. Typically, the Fed will do this only when interest rates are very low and, as such, the conventional monetary-policy technique of reducing interest rates is ineffective.

Real

A value adjusted for inflation (also known as measuring in constant dollars).

Reserves

Money the banks hold as cash in their vaults or as deposits with the Fed.

Seasonal adjustment

Adjusting economic data to remove regular seasonal factors (such as harvests or holiday shopping), to reveal the underlying behavior of the data.

Unemployment rate

The number of unemployed as a percentage of those employed and unemployed.

For more definitions of economic and financial terms, try The Financial Writer's Stylebook by Chris Roush and Bill Cloud.

CHAPTER 14.

COVERING ECONOMICS: FINDING LOCAL STORIES IN THE DATA

Often, stories about national economic indicators will be prepared by wire services or top journalists on the big dailies or networks. So, as a local reporter, how can you use the data?

Well, for one thing, the national data often also include regional data. That means you could, for instance, obtain the wage data for your city and use this as the basis for a news or feature story. Are salaries increasing in your region? Why? It suggests a shortage of workers. Which employers have jobs to offer?

Also much of the national data are also prepared by state governments at the state level. The state has its own budget, for instance, and CPI data are available by state. States are generally required to have balanced budgets – no budget deficit allowed. How does the state inflation rate compare to that in other states? Why?

The Fed regularly publishes an excellent book reviewing economic conditions across the country known as the "Beige Book," for the color of its cover, it provides an up-to-date qualitative account of what's happening in each of the Fed's 12 districts. Use it as a springboard to talk to local business associations, lenders, etc., about market conditions. How do market conditions compare to those in other districts?

When data are published, be they national or local, seek comment from local experts and interest groups – economists, consumer groups, business leaders, politicians, unions, etc. – on their reaction to the numbers.

Make sure to spread your net widely. When news of rises in the cost of living hit the wires, talk to different classes of consumer to find out how they're affected, including the poor. What specific goods have gone up in price? How are people coping?

Don't forget preview stories, where you can report expert comment in anticipation of the release of data, seeking comment from local experts on their expectations for the CPI, GDP, etc. Do they expect the figures to increase/decrease? Why? How accurate have their predictions been in the past?

You can also run matcher stories. That's when you take a story about national data and find the local angle. For instance, if national consumer confidence figures are released, you could contact local businesses. How is demand for their products holding up? You could also do vox populus, or man-on-the-street, interviews. What do shoppers at local malls feel about their financial situation?

Likewise, with interest-rate data, you could speak to local lenders and borrowers. Who is borrowing? Why? Are lenders changing their marketing strategies or bringing out new financial products in light of changing market conditions?

When writing about employment figures, a good local angle would be to check the job ads in town. Which businesses are hiring? Which aren't? Why? State employment offices can also be a good source.

Data on international trade can also have strong local angles. Are local businesses finding overseas markets for their wares? Are they losing out here to imported goods?

Going against the flow can also generate good stories. There's been a lot of news about the economic downturn, but which businesses are surviving or being established?

Deeper insights into the data can also lead to strong local stories. Say an economic-research house issues a media release on a national trend among older people to stay in part-time work, rather than retire. You could contact some local businesses and/or older persons' associations to find some local examples.

Don't just rely on the media releases and headlining economic data. Monitor the statistical and governmental websites to find and read accompanying reports, briefing papers, etc. These can be gold mines of additional information and insight.

You should also cultivate relationships with the statisticians themselves. They are often happy to chat about the data, going into more detail about the figures. What stories do they think the data are telling? How good are the data? Should the government be collecting other data? This may need to be off the record, but is still valuable information and can guide your own thinking.

It's also a good idea to develop your technical expertise. That way, you won't be driven solely by the media releases and what the experts have to say. Maintain your own databases of the numbers and play around with the figures. Compare the recent data with those of last year, or over the past five years. Look for trends, see what you can find, and then ask the experts for their views. That way, you can avoid producing simple, repetitive stories where you report the data plus a little expert comment. Do some courses in using Excel spreadsheets or statistical packages (or economics!), if you have to.

CHAPTER 15.

COVERING ECONOMICS: COMMON MISTAKES

Economics reporters can trip themselves up if they make elementary errors, undermining their credibility in the eyes of both their sources and their audience. Here are some of the common errors to avoid.

FAILING TO GIVE TIME PERIODS

Make clear the time periods you are discussing. You cannot simply report that imports have increased 10 percent. Has the increase been over the past year? The past five years? You need to report all the relevant facts, such as: "In the year to March, imports, measured in nominal values, increased 10 percent."

NOT SPECIFYING IF FIGURES ARE NOMINAL OR REAL

"Nominal" means the figures are expressed without adjustment for inflation. "Real" means the figures have been adjusted for inflation. Let's say you are covering the latest release of real Gross Domestic Product (GDP) data, which show that real GDP rose 0.1 percent over the quarter. Your report needs to make it clear that you are talking about *real* GDP; if you just refer to GDP, readers will not know whether the economy actually has grown or whether the rise was just due to rising prices.

SAYING INFLATION IS MEASURED BY THE CPI

It isn't. Inflation is measured by *percentage changes* in the Consumer Price Index (CPI) over a specific period. Similarly, economic growth is not measured by GDP – it is measured by changes in real GDP over a specified time period.

CONFUSING THE DEFICIT WITH DEBT

The deficit is when the government is spending more than it receives in revenue, over a particular time period (such as a year). That is different from government debt, which is how much the government owes. When the government runs a deficit, this adds to its debt as the government must borrow money to meet the shortfall. To reduce debt, the government must start running surpluses, generating money it can use to pay off debt.

CONFUSING PUBLIC AND PRIVATE DEBT

Governments run up debt, but so does the private sector when, for instance, companies borrow

money. Just because the nation's total debt is rising, don't assume it is the government's fault – it could be that the private sector is borrowing more.

CONFUSING PERCENT AND PERCENTAGE POINT

A percentage point is the unit of measurement for the arithmetic difference between percentages. For example, an increase from 50 percent to 60 percent is an increase of 10 percentage points. But it is also an increase of 20 percent [(60-50)/50=20%].

CHAPTER 16.

COVERING ECONOMICS: RESOURCES

GOVERNMENT DATA

- For information on upcoming statistical releases (you can arrange to receive email alerts here, too): **National Bureau of Economic Research: (www.nber.org/releases/)**
- The most comprehensive site for data and explanatory commentary on economic indicators is the **Bureau of Labor Statistics website: (www.bls.gov)**
- Another excellent site for economic data is the **U.S. Census Bureau: (www.census.gov)**
- For data on gross domestic product (GDP) at federal and state level, and balance of payments data, **Bureau of Economic Analysis: (www.bea.gov)**
- For information on the construction sector and retail sales (and more besides), **U.S. Census Bureau Economic Indicators: (www.census.gov/cgi-bin/briefroom/BriefRm)**
- For detailed employment data at the state level, check out, **U.S. Census Bureau County Business Patterns: (www.census.gov/econ/cbp/index.html)**
- For consumer confidence data, **The Conference Board Inc.: (www.conference-board.org/)**
- For exchange-rate data,**Federal Reserve Statistical Release Foreign Exchange Rates: (www.federalreserve.gov/releases/H10/Summary/)**
- For details on the federal budget (similar sites exist on state government websites for state budgets),**GPO Access: (http://www.gpoaccess.gov/usbudget/)**
- To read the Federal Reserve's Beige Book (use the links at the bottom of the page to go to other years, including 2011), **The Federal Reserve Current Economic Conditions: www.federalreserve.gov/FOMC/BeigeBook/2010/**
- For information on monetary conditions (you can also click on "Economic Research and Data" at the top of the page for more financial data), **Board of Governors of the Federal Reserve System: (http://www.federalreserve.gov/)**
- To find international comparative data, **OECD: (www.oecd.org) and International Monetary Fund: (www.imf.org)**

With all government agencies and other organizations that produce economic data, follow them and their top officials on any social media sites they run. Also, set up email alerts or RSS feeds from the agencies.

GUIDANCE ON WORKING THE ECONOMICS BEAT

- **BusinessJournalism.org** on how to cover economics stories in the news.
- Journalist's Resource on **reading economic-data releases.**
- Tipsheet from **Sarah Cohen —** Duke University professor, former database editor at the Washington Post and an economist by training **—** on **five big ideas on how to cover economics**. Beware: It's a Word document, and it's from 2004, but much of the info is still valuable.
- Tipsheet from Sarah Cohen on **sources for state and local economic data**. Same caveats apply.
- **How to be an economics reporter** by Greg Ip, U.S. economics editor for The Economist.

BOOKS

- Levitt, Steven D. and Dubner, Stephen J. (2009)**SuperFreakonomics: Global Cooling, Patriotic Prostitutes, and Why Suicide Bombers Should Buy Life Insurance.** New York, N.Y.: HarperCollins Publishers.
- Roush, Chris. (2010). **Show Me the Money: Writing Business and Economics Stories for Mass Communication.** New York, N.Y.: Routledge.
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TWITTER

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PART V.

COVERING ENERGY, UTILITIES AND MINING

Angel Gonzalez helps lead the coverage of the energy industry for one of the world's top financial information services. In this basics package, he shares his insider secrets and tips for covering the beat. Originally published Sept. 2, 2011.

CHAPTER 17.

COVERING ENERGY, UTILITIES AND MINING: AN INTRODUCTION

So you want to write about energy and mining. Good choice – this beat covers one of the critical business sectors underpinning modern life.

Every day 90 million barrels of oil are pumped out of the ground, in Arabia's scorching deserts, Canada's boreal forests, or a mile beneath the ocean's surface. Millions of tons of coal, iron ore and copper are dug out of vast open-pit mines in South Africa, Arizona, West Virginia and Chile. The resulting materials are then shipped, via rail, ship or pipeline, to where they're transformed in useful products – be it gasoline or diesel, steel bars or tin foil, and electricity. So we can drive, build skyscrapers, wrap our sandwiches and keep the lights on.

To understand the beat, the reporter must wrap his or her head around the dynamics of supply and demand. It's a game of scarcity and abundance – either situation can dramatically alter local economies. Right now it seems to be a time of scarcity, as rapidly industrializing Asia seeks to catch up with the West. Asia's appetite is such that the resulting commodities bubble has shrugged off even the worst financial crisis in seven decades.

It's also a story about infrastructure – the job of producing energy and moving and processing metals requires a tentacular network of machinery that can alter our roads, our coasts and our skylines. When this infrastructure network fails, it can result in disasters like blackouts, mine implosions or giant oil spills. And of course it's a story about the environment and regulation – especially as energy production and consumption accounts for a large share of the gasses many scientists blame for global warming.

In short, we're talking about a vast field, which for convenience sake we'll split into three categories.

THE OIL AND GAS COMPLEX

Oil is the backbone of our car- and plane-based transportation system. Its cousin, natural gas, can also be used for transportation, but it's mainly employed in generating electricity and heat.

The last decade's surge in demand for oil and gas has meant that the companies that produce these commodities have become some of the largest in history. The biggest, especially in the oil sector, are owned and run by national governments – for example, Saudi Aramco, the Saudi Kingdom's national oil company, the world's largest oil producer. Some of these national governments, heavily reliant on revenue from oil, form groups, such as the Organization of Petroleum Exporting Countries, to try

to maintain prices at a level that will bring them plenty of profit, but that is not so high that it will depress the economies of consuming countries.

When OPEC decides to raise oil output, prices at the pump in the U.S. are likely to fall, unless shortages elsewhere or a jump in demand offset the new amount of crude that comes into the market.

Western energy companies once dominated the global oil industry, but that is no longer the case. Nevertheless they're big and powerful – and are ramping up their activity in places like Australia, Canada and the U.S. For example, Exxon Mobil Corp., the Texas-based heir to John Rockefeller's oil empire, is the largest publicly traded company in the planet (although in recent times Apple has been able to catch up). It needs lots of new reserves to replenish the millions of barrels of oil and gas it produces every year, but now that foreign governments limit its presence overseas, the company is looking for more of it back home, where engineers have recently discovered how to extract natural gas and oil from shale rock through hydraulic fracturing. This technique – also called "fracking" – is controversial, and local reporters are bound to write about it often – but more on that later.

UTILITIES

Electric utilities convert energy into electricity, by harnessing the movement of wind and water, the power of the atom, or by burning fossil fuels such as coal and natural gas. Sometimes operating under heavy regulation, utilities provide power to residences, industries and cellphones, but are also likely to become a major player in the transportation sector if electric cars become popular.

Some utilities, like Seattle City Light, are owned by municipalities. Others, like Dynegy Inc., are publicly traded; and others, such as TXU or Puget Sound Energy, belong to private equity firms. The main challenge these companies face is coping with an increasing demand for power.

MINING

Like oil and gas companies, the mining industry is riding high on China and India's growing appetites. After accumulating billions in profits, behemoths like Australia's BHP Billiton and Rio Tinto are scouring the globe, looking to acquire assets and other companies. The growth in demand for metals, however, is creating supply bottlenecks due to scarcity of some materials – such as rare earths – or lack of infrastructure. Also traders have been stockpiling metals, still seen as a safe investment amid sluggish economic recovery, creating a bottleneck in warehousing capacity.

CHAPTER 18.

COVERING ENERGY, UTILITIES AND MINING: IDENTIFYING LOCAL STORIES

Energy, utilities and mining operations pervade American life. The reporter at a medium or small-sized daily should have no trouble localizing global trends and understanding how the local tentacles of these far-reaching sectors affect his or her community.

Here are some story lines that could yield lots of local news:

THE GREAT AMERICAN ENERGY REAWAKENING

The rediscovery of North America by large energy companies is a boon for local reporters. Once thought to be in rapid decline, the oil industry in the U.S. has been revived by two technologies: deep-water drilling and hydraulic fracturing. These techniques, in combination with tougher governments in oil-rich nations, mean that the giant oil companies that once scoured the globe are looking for riches in your own backyard.

The consequences are enormous – fiscally, because the local governments get more tax revenue; economically, because there are more jobs around; and environmentally, because mishaps do happen. The way of life in communities from Pittsburgh to the U.S./Mexico border, passing by North Dakota, is being transformed by this revolution, and local reporters will be the first chroniclers of the change. As we saw during the BP oil spill of 2010, deepwater drilling is having a major impact on life in the Gulf Coast. Not only it underpins the economy there, but it can also represent a danger. And there are many other places where offshore drilling might happen one day – the Eastern and Western coasts, and Alaska, for example.

New fields whose exploitation is made possible by hydraulic fracturing, or fracking, have literally brought the energy industry home to many regions in the U.S that are unaccustomed to this kind of activity. For example, large swaths of the U.S. Northeast – New York, Ohio, New Jersey and Pennsylvania – sit below a rich natural gas field called the Marcellus shale, and there's drilling going on under local churches, schools, airports and cemeteries. Since this is a new energy-producing area, reporters are playing a key role enlightening the local audience about what has turned out to be a controversial development. Familiarize yourself with leases, royalties, the science of fracking – and with the natural gas companies setting up shop next door.

A JUNGLE OF INFRASTRUCTURE: REFINERIES, POWER PLANTS, NUCLEAR PLANTS, PIPELINES, MINES

Wherever you are in the U.S., it's likely that you're close to a refining hub – and that natural gas and oil pipelines are buried nearby. If you are, say, in Seattle, get to know the Anacortes refineries – and be ready to know that if there's any disruption to the Alaska oil they process, local gas prices are likely to rise. Also know their safety stats and be ready to report on fires, harmful gas emissions and other accidents that can occur in these facilities.

Likewise, know thy local power provider(s) – and the state regulator that normally oversees power price changes. Check what their power mix is – how much hydro-electric, how much wind, how much coal, how much nuclear and how much natural gas. Track the price of these commodities – they're indicators of whether power prices will go up or down. Many utilities across the country are having a hard time keeping up with growth projections – figure out how much they're investing in new power generation, and of what kind.

Know the pipelines in your region – see what water bodies they cross, what refineries or areas they serve, so you can be ready to roll in case news breaks. Keep an eye on the national news – right now, for example, there's a major controversy on whether to approve a gigantic pipeline expansion called Keystone XL, which would bring crude from Canada all the way to the Gulf Coast. That crosses many states – perhaps the one you live in.

If you're in Arizona, Kentucky or West Virginia, it's likely that you'll be close to a mining culture – follow the big picture evolution of copper prices, for example, or demand for coal, to anticipate swings in local fortunes.

DEVELOP RELATIONSHIPS

Most refiners, energy companies, utilities and pipeline operators have local spokespeople – know who they are and have them show you around. Identifying and knowing these actors helps get information more quickly when a crisis breaks.

CHAPTER 19.

COVERING ENERGY, UTILITIES AND MINING: CHALLENGES AND HURDLES

From securing access to interview an oil executive to maneuvering through complicated scientific arguments, reporters covering energy, utilities and mining need to be aware of the challenges of covering the beat. Below are a few of the top hurdles.

WHAT GOES UP, GOES DOWN

Historically, commodity markets experience alternating periods of abundance or scarcity. The length of these periods varies, but generally what comes up, eventually comes down.

During boom periods, many observers of energy prices seem to think in apocalyptic terms. But technological innovation can play a surprising role in the availability of new resources. For example, in recent years oil companies have learned how to tap deep-water and tight-rock reservoirs once though unattainable, and now they're heading to the Arctic, which the U.S. Geological Survey says contains vast amounts of oil and gas.

NAVIGATING THROUGH SCIENTIFIC CONTROVERSY

Reporters writing about energy in particular will have to wade through scientific arguments in the course of their beat – so they should be comfortable to engage with academic actors, read up on the topic, and keep the salt shaker at hand. A prime example is the controversy about natural gas shale: many environmentalists, backed by prestigious universities, say that extracting gas through hydraulic fracturing, which involves breaking up tight rocks with jets of high-pressure water, can result in the pollution of water resources near natural gas wells. Oil companies deny this, arguing in many cases that the natural gas seeps naturally into reservoirs. To write fairly and authoritatively about this requires a lot of in-depth and fair reporting.

Reporters should be mindful of hype, follow scientific trends closely, and look at every angle of a story.

When quoting non-governmental organizations taking a stance on one issue or another, reporters should follow the money: see if a pro-fracking association is funded by the energy industry, or if an anti-fracking study is funded by the coal industry (producers of a competing fuel) or environmental activists. Financial backing doesn't invalidate opinions or arguments, but readers should know whether they come from interest-backed groups.

TIGHT-LIPPED COMPANIES

Oil and mining companies built fortunes on keeping secrets: where they are going to drill or mine is information that their competitors can use to buy leases next door.

To break through the ice, reporters must become experts on their beat – take a tour of the companies' facilities, meet their executives, understand their business. That will enable you to ask intelligent questions, and most importantly, understand the answers.

Also be ready to pore into the fine print of financial statements – that usually contains good nuggets of information related to operational performance or new lawsuits faced by the companies.

CHAPTER 20.

COVERING ENERGY, UTILITIES AND MINING: RESOURCES

US Department of Transportation's Pipeline and Hazardous Materials Safety Administration

This is the agency that supervises pipeline safety in the U.S.

PHMSA's National Pipeline Mapping System

Use this resource to find pipelines in your local area.

Energy Information Administration

This Department of Energy agency is a trove of statistics about energy use, including state-level figures and history of electricity and fuel prices. It also contains a good explanation of how gasoline prices work.

American Petroleum Institute

Lobby group representing oil companies in Washington D.C. Good resource for a quick response with the industry's viewpoint on many different issues.

American Gas Association

Trade association representing the natural gas industry. Key for the fracking debate.

Federal Energy Regulatory Commission

Regulates interstate transmission of electricity, gas and oil, as well as liquefied natural gas facilities. Contains up-to-date info on liquefied natural gas terminals.

U.S. Bureau of Ocean Energy Management, Regulation and Enforcement

Agency that regulates the exploitation of energy in the federal offshore. Has a rich database of permits and production figures.

U.S. Geological Survey's Minerals Information

Here you'll find data about supply and demand of minerals.

Mine Safety and Health Administration

Agency that oversees mining safety in the U.S., belongs to the Department of Labor. Has information about accidents.

The Prize

A Pulitzer Prize-winning history book on the oil industry, which is seen by many as the most authoritative read on the topic

CHAPTER 21.

COVERING ENERGY, UTILITIES AND MINING: GLOSSARY

Oil producers

These are the companies that extract crude oil and gas from the ground. The largest are integrated – that is, they extract the oil, and they refine it into usable fuels. But most are so-called independent – like Chesapeake Energy Corp.

Refineries

These facilities take crude oil and convert it into gasoline, diesel, heating oil, jet fuel and other products. The largest refining hub in the U.S. is located in the Texas-Louisiana coast, but there are smaller hubs all over the country.

Barrels

The barrel is the basic measuring unit for the global oil trade. It's equivalent to about 42 gallons. A company or a field's production, or a refinery's processing capacity, is usually measured in barrels per day.

Cubic feet

That's the basic measurement for natural gas production. The U.S. produces about 70 billion cubic feet of natural gas every day. A typical home can use 10,000 cubic feet per month during the winter.

Fracking

Short for hydraulic fracturing. A technique that consists in injecting large quantities of high-pressure water and chemicals into porous rock, in order to release the oil or gas trapped within. It's normally combined with horizontal drilling, a recently developed technique that allows oil producers to extend a drilling pipe horizontally after reaching a certain depth. This combination has unleashed an energy revolution in onshore North America, but has stoked fears about potential contamination of aquifers near drilling sites.

Deepwater drilling

Drilling at water depths beyond 500 feet. This process is usually conducted by a drillship (a large vessel equipped with a very long drill pipe) or by a drilling rig (a platform-like structure.) The drilling rig

is not to be confused with an oil platform, which is stationary and is used to produce and process oil and gas.

Royalties

The amount of money that land owners receive from the resources extracted in their land. In the U.S., oil companies lease land from landowners – which can include the federal government – in order to develop oil and gas fields.

LNG (Liquefied natural gas)

Natural gas, in its normal, gaseous state, can be moved via pipeline. But it takes too much space to be profitably moved by ship if needed in another continent. The solution: to turn in into a liquid, by chilling it at unbelievably low temperatures. There are liquefaction terminals – which turn gas into liquid – and regasification terminals, which reheat the liquid back into its original form. In the U.S., most terminals are regasification terminals, but with the natural gas bounty unlocked by fracking, some companies are seeking to built liquefaction facilities.

Oil futures

A contract to deliver a certain quantity of oil at a given time in the future.

Spot crude market

The actual, "physical" purchase of crude by a refinery or trader.

West Texas Intermediate

The benchmark for crude oil futures traded in the U.S.; it's a type of light, sweet crude delivered at Cushing, Oklahoma, in the heart of the U.S. oil patch.

Brent

A type of light, sweet crude delivered in the U.K. North Sea. It acts as the global benchmark; most global crude contracts are priced in relation to the Brent.

Grid

The infrastructure that delivers electricity from its point of generation to its many points of consumption. The transmission network connects power plants to local distribution centers; the distribution network links these distribution centers to residences and factories. A smart grid is a computer-assisted network theoretically capable of channeling excess power to where it's needed.

Biofuels

Fuels made out of (recently) living organisms – such as plants and animals. Traditional biofuels are ethanol made out of sugar cane or corn, and biodiesel made of soy, animal fat or palm oil. Cellulosic biofuels are the next generation: produced en masse from vegetable waste.

PART VI.

COVERING SUSTAINABILITY

The sustainability story is as big as Wal-Mart and as a local as a neighborhood coffee shop. So, where do you begin? Use this basics package by Lisa Palmer as a guide for covering sustainability topics. Originally published March 28, 2012.

CHAPTER 22.

COVERING SUSTAINABILITY: AN INTRODUCTION

The sustainability story is as big as the Wal-Mart Store chain and as a local as your neighborhood coffee shop. So, where exactly do you start your coverage? This beat guide gives an introduction to covering sustainability principles that are driving business pursuits.

A retail shop trims electricity costs by installing efficient, energy-saving light bulbs. A manufacturing company commits to zero-waste, retools its product development, and now saves on materials that were once thrown away. A restaurant recycles its cooking oil for biofuel. And, an advertising agency puts in a locker-room for employees who ride their bikes to work or exercise during lunch breaks. These are among the hundreds of sustainability stories in your community.

Let's first tackle the definition of sustainability. Broadly, if a company adopts sustainability as a business practice, then it has made a long-term commitment to have no negative social, economic and environmental consequences from its business strategies and activities. The business does this while also remaining a profitable entity. A 1987 United Nations report had this definition: "meeting the needs of the present without compromising the ability of future generations to meet their own needs."

Sustainable business practices aren't seen as a tradeoff between environmental regulations and profitability. Rather, businesses have learned that sustainability can lead to an improved environment, economic gains, social and community well-being, and a competitive advantage in the marketplace. More businesses than ever are now emphasizing sustainability.

To make sense of the sustainability story, a reporter should look at it through this lens: Our economy and society are constrained by the environment. Everything we need for survival depends on a healthy natural environment – clean water, clean air, and natural resources. Because the business sector produces a large share of the world's greenhouse gases, some businesses are making a long-term commitment to produce less waste, use less energy, and reduce their environmental footprint. They are creating work environments that help foster positive attitude among employees and improved health. And, they are being transparent about these practices by reporting these sustainability measures, often looking for this goodwill to win over "green" consumers.

Put simply, sustainable business considers the triple bottom line: people, planet, and profit.

PEOPLE

The person element in this equation is the employee, the consumer, the citizen of the community, or

the member of society who is impacted by the business. Ways businesses contribute to sustainability among employees includes allowing employees paid-time off to contribute to community projects and community development. Patagonia provides locks for employees who bike to work. At Hasbro, workers have Fridays off in summer.

PLANET

While transportation, fossil fuel, and utility sectors have the largest potential to reduce environmental risks on the planet, businesses have the ability to influence consumers through their products and supply chains. For instance, Wal-Mart measures the sustainability of every product it sells. Countless companies strive for paperless offices, as emphasized in email taglines, "Please consider the environment before printing this email." Other businesses are looking to green their supply chain and report on environmental performance. Any story on sustainability will likely have an environmental element to it. Given the range of ideas and problems out there, the toughest challenge on this beat is figuring out the news element.

PROFIT

The principal objective of business is to make money. Perhaps that's why sustainable business stories are often tagged with the slang term for money: green, as in green business, green technology, green energy, green innovation. You get the picture. The profit motives for going green and choosing sustainable business practices are far ranging, from competitive advantages, improving efficiencies, and reducing operating costs to environmental stewardship, boosting employee morale, and a healthier work environment.

As sustainability practices expand, so, too, is business coverage. And, your stories can be a part of it.

CHAPTER 23.

COVERING SUSTAINABILITY: IDENTIFYING LOCAL STORIES

Looking to advance the story on sustainability in your own backyard? Get a handle on the big issues and bring them down to the local level. In so doing, you'll bring some meaning to your readers and better explain the larger concerns. Get started with these simple steps.

WATCH THE WATER FACTOR

While water is a global concern, its impacts are as local as your nearest watershed. Consider the dilemma that Molson Coors faced. Barton Alexander, Chief Corporate Responsibility Officer at Molson Coors, said his company strives for increased water efficiency, but other factors make sustainability decisions a little more complex. A Molson Coors facility in Canada recently changed the way it washes returnable bottles. The company found it was more energy efficient to use cold water in the new washing process, but this also meant more water was used. "We had to think about which was more important: energy savings or water use," Alexander said. That location in Canada had adequate water supply, so Molson Coors decided on the cold water washing process and reduced its carbon footprint.

CULTIVATE YOUR KNOWLEDGE OF CLEAN TECHNOLOGY

Clean technology, or simply clean tech, is a pumped-up phrase that means modernized infrastructure. Examples of clean tech include smart grid, energy efficiency measures, systems that manage water, transportation, and waste systems. New buildings and renovated structures alike offer story ideas on clean tech advances, as do companies that offer these goods and services. Ask your business sources about their energy management practices. More and more companies are participating in demand-response, the practice of consuming less electricity during periods of peak demand. From grocery stores to manufacturing plants, businesses are often compensated to curtail energy use during periods of peak demand. An example is that every third light is automatically shut off on a long hallway, and the thermostat is raised a degree or two in summer.

FIND THE GREEN JOBS

In an interview a couple years ago, I asked Duke Energy CEO Jim Rogers what he thought about green jobs. "Every job should be a green job," Rogers said. While entire books have been written on the subject of green jobs, Rogers' short answer aptly describes jobs in sustainable businesses. If a business is implementing sustainable practices, then many of its jobs fit the description of green jobs. According to the Bureau of Labor and Statistics, the government's official definition is "A) jobs in businesses that

produce goods and services which benefit the environment or conserve natural resources; and B) jobs in which workers' duties involve making their establishment's production processes more environmentally friendly or use fewer natural resources."

CHAT UP THE OPERATIONS MANAGER

Just about every company has a manager in charge of keeping costs down and running the day to day business activities. This person will have a direct line to the company's efficiency measures, waste management, recycling, and energy conservation that will be good measures of a company's sustainability efforts. Compare and contrast sustainable business decisions of three different companies. What factors affected their decisions to pursue, for instance, energy efficiency over a new waste management practice?

TALK WITH LOCAL ENVIRONMENTAL GROUPS

Five years ago, Greenpeace began protesting against McDonald's for its practices of buying unsustainable soy to feed chickens, which ultimately became McNuggets. The feed came from farmers who were burning down Amazon forests in order to plant soybeans. So what did McDonald's do? Bob Langert, vice president for corporate responsibility at McDonald's, sought input from Conservation International and WWF, and eventually listened to Greenpeace. Other environmental groups have succeeded in changing unsustainable business practices. To localize this story, look for trends of multiple stakeholders working together to solve a local environmental problem.

READ SUSTAINABILITY REPORTS

Similar to financial reporting, sustainability reports assess and disclose business sustainability performance. One person's job that has changed with the advent of the sustainability report is the Chief Financial Officer, whose role has expanded from financial reporting to also include social and environmental reporting. Ten years ago sustainability programs were often considered costly but a boost to marketing. Today, the costs are far less material and in many cases add to the bottom line. A Q&A with a CFO could yield new information on performance goals and metrics for that business's energy efficiency, water usage and carbon emissions. Also, look for unique ways companies are reporting on human capital and sustainability. One very significant intangible impact of sustainability reporting is employee morale when employees have a strong interest in sustainability. For example, Arcelor Mittal, MT, the biggest steel maker in the world, now reports their safety numbers as part of their corporate responsibility reporting. This was unheard of a few years ago but certainly a sign of the changing expectations from the investment community.

CHAPTER 24.

COVERING SUSTAINABILITY: CHALLENGES AND HURDLES

Reporting requires more than opening your ears. Errors can occur when business claims go unchecked. Because local business and corporations recognize that sustainability factors into business decisions, pay attention to the environmental and social issues that can benefit – or put at risk – their performance and brand reputations. Additionally, few standards exist for products and labeling, so smart reporting habits will help you master skills for the sustainability beat. Here are three to try:

BEWARE OF GREENWASHING

A business can label its products as environmentally friendly, but doing so holds risks. Eco-claims can be misleading or even false. This is known as greenwashing.

TRACK TRANSPARENCY

A main tenet of sustainable business and corporate social responsibility is transparency, or open communication on how things are done. If a business makes claims to be environmentally-friendly, they should be able to back them up with independent analysis. Transparency practices were developed to overcome greenwashing. For example, some of the biggest impacts on the environment occur in the supply of materials that are used in making a product. Tracking only manufacturing impacts, therefore, can be misleading.

GET TO KNOW LABELING STANDARDS

Know the difference between 100% natural and organic, LEED rating and Green Seal. Ecolabeling of consumer products and processes is not standard across sectors, although some groups are widely recognized for their high standards, such as Fairtrade and the Forest Stewardship Council. The Consumer Reports Greener Choices site is among the best sources for independent guidance on environmentally labeling.

CHAPTER 25.

COVERING SUSTAINABILITY: RESOURCES AND SOURCING

To get started on the road to reporting on business sustainability, address the reporting challenges of this beat by getting to know your subject. These resources here will help you get grounded in the basics.

RESOURCES

BSR

BSR develops sustainable business solutions with consulting, research, and collaborations with other sectors. The site offers a wealth of information on sustainability practices including publications, case studies and research.

GreenBiz.com

This site is the go-to source for news on business and the environment.

Triple Pundit

A diverse set of contributors writing about business sustainability with the focus on people, planet and profit.

CleanTech Group

This site provides news and information on clean technology, including smart grid, energy efficiency, energy storage, smart water, and green transportations sectors.

Grist

Environmental news and opinion site that offers a sideways glimpse of the day's news topics.

AltEnergyStocks.com

Tom Konrad's high-quality news and analysis for the alternative energy and clean tech sectors.

US Green Building Council

An organization dedicated to supporting the development of energy-saving building and design.

MIT's Sloan Management Review

This site covers ideas and practices in sustainability and innovation.

Sustainable Business Forum

Thought leaders offer news and opinion on sustainable business, environmental stewardship, safety, and corporate social responsibility.

Bloomberg New Energy Finance

This site offers data, news and analysis of the clean energy and carbon markets.

A FEW FOLKS WHO SHOULD BE ON YOUR TWITTER FEED

- **@makower**: Joel Makower offers his expertise on corporate environmental practices, clean technology, and green marketing:
- **@tomphilpott**: Tom Philpott tweets on news related to food and sustainable agriculture
- **@MarcGunther**: March Gunther is a leading voice on sustainable business and the environment.
- **@AbrahmL**: Abrahn Lustgarten shares in-depth reporting on energy and natural gas news.
- **@MarkLVachon**: General Electric's ecomagination leader tweets about economics and the environment
- **@mims**: Christopher Mims is a sustainability journalist.
- **@KaraHurst**: Kara is BSR's voice on sustainability practices.

CONFERENCES

GreenBiz.com

One-day, regional events covering sustainability issues in business.

Fortune's Brainstorm Green

Leading conference on sustainability developments among Fortune 500 CEOs, senior government officials and environmental leaders. Videos from past conferences are free and available on demand.

Ceres

Annual gathering for business leaders, investors, environmentalists, and policymakers that explores the sustainable economy.

CHAPTER 26.

COVERING SUSTAINABILITY: GLOSSARY OF TERMS, CONCEPTS

Business has its own language. So, too, does sustainability. Navigating through the specialized maze of carbon and sustainability terms can be confounding. Anytime your subject uses a specialized term, ask for a definition. Here are a few terms to get you started:

Corporate social responsibility (CSR)

In 2010, the International Organization for Standardization released the ISO 26000 social responsibility standard. It defines social responsibility as: "Responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior…"

Carbon footprint

Measurement of how many tons of carbon dioxide and other greenhouse gases are emitted from the consumption of fossil fuel.

Clean technology

Often called clean tech, any number of technologies that is less harmful to the environment than conventional technologies. Solar and wind power are examples of clean tech.

Sustainable design

A practice of creating product or building designs in environmentally responsible ways, including using less material, using materials that don't deplete or harm the natural environment.

Biofuels

Fuel that is made from living matter.

Renewable energy

Energy that comes from natural resources such as wind, solar, tidal and geothermal sources.

Life-cycle assessment

An analysis of environmental aspects associated with a product, process, or service, all the way from production and usage to disposal.

Zero waste

Discarded materials are designed to become resources for other uses.

Smart grid

Digital communication to control electricity use.

Green building

A practice of creating structures and processes in environmentally responsible ways, including siting, design, materials, construction, operation, and maintenance.

Green supply chain

Measurement and management of environmental impacts and greenhouse gases emissions from producing materials used in a product.

PART VII.

COVERING HOSPITALS

Health care is a massive beat, so we start with a basic lesson on covering hospitals. This guide is by Karl Stark, health and science editor at the *Philadelphia Inquirer.* Originally published June 11, 2012.

CHAPTER 27.

COVERING HOSPITALS: AN INTRODUCTION

The local hospital often remains a mystery to reporters. Few reporters scrutinize its finances. If the job falls to anyone, it goes not to a specialist but to reporters covering business, politics or features. And don't expect the PR folks to make it easy.

Yet a hospital's finances can be grist for great stories. Hospitals are often among a community's largest employers. Indeed, many hospitals are far larger than local governments – in spending and in employees – yet receive far less media attention.

Ever notice how hospitals always seem to growing? Many have proven remarkably resistant to the latest recession. And they're beehives of interesting decisions. Hospitals regularly grant large contracts, buy expensive equipment, sell bonds, build huge buildings, pay lavish salaries, employ lobbyists and manage vast stock and bond portfolios. The value of their investments alone can reach into the billions.

Much of a hospital's success is driven by money. With strong finances, hospitals can attract good doctors, buy the latest equipment, offer more services and refurbish their buildings. And likewise, a poor balance sheet can limit their offerings and, some experts say, result in inferior care.

This package of posts gives you a brief guide to the behemoth.

Let's begin with …

FOUR MAIN TYPES OF HOSPITAL STORIES

1. Overall hospital performance

People will want to know if their hospital is dying or flourishing. Or is it somewhere in the middle? A new building or emergency room is a good opportunity to evaluate a hospital's performance. Hospitals are often adding and cutting services to improve their finances. They face lots of new competition from surgery centers to minute clinics. They're also likely to be clobbered by any deal to cut the federal deficit.

2. Salaries

The IRS Form 990 has lots of new information on salaries and benefits for top executives. Compare salaries to those in similar institutions and see if the performance is consistent with any pay increases.

The 990s does a better job listing board members whose firms get work from the hospital. Some doctors may also get a housing stipend and very generous salaries.

3. Is your nonprofit hospital "earning" its tax-free status?

The latest 990 enables you to compare your hospital's community benefit spending to others. (Reporters used to have to do it on their own) Check on how the uninsured are being treated. Are their numbers rising? Are they paying more for care? Are people being improperly dunned by the hospital and forced into bankruptcy?

4. Fraud

Hospitals are often the target of government fraud investigations and accused of over-billing. For-profits in particular (Tenet, HCA) have been accused of over-billing in the past. These probes may be acknowledged in various documents that hospitals file.

PEOPLE, FIELD VISITS, DOCUMENTS

The best hospital sources tend to be academic experts at business schools and schools of health policy or public health. These folks can help you evaluate key documents and develop a list of questions for administrators.

Other helpful sources include bond analysts, state regulators, former hospital administrators, board members (past and present), union leaders and medical staff presidents. Health care consultants may be helpful too but bear in mind that they earn a living by working for hospitals.

CHAPTER 28.

COVERING HOSPITALS: CORE CONCEPTS AND TERMS

U.S. hospitals generally have three kinds of financial structures. We'll dive into each below.

Nonprofits

They are the traditional variety, and the most common, accounting for 58 percent of all hospitals. The term nonprofit – the same as "not-for-profit" – doesn't mean they are no profits. Many nonprofit hospitals make big bucks. Nonprofit means that they are tax-exempt; they generally don't pay taxes on income and land although cash-strapped cities and states are increasingly asking them to contribute. Nonprofit hospitals also have to give "community benefits," giving charity care and doing other good deeds. Nonprofits are predominate in the northeast and Midwest.

For-profits

They refer to those owned by investors, comprising about 20 percent of the hospital market. They are often publicly traded and are in business to reward their investors. You'll find they also are more common in the south and the west.

Government-owned or public hospitals

They make up 22 percent of the hospital pool. Major cities tend to have at least one public hospital, which cares more for the indigent.

Identifying the kind of hospital is a critical first step because it will dictate which documents you can get.

HOW HOSPITALS MAKE MONEY

Hospitals earn nearly all their revenues from patient care. Nonprofits have the extra advantage of earning money from investments while public hospitals are often supported by taxpayers.

The big payers for hospitals are Medicare for the elderly/disabled and Medicaid for the poor. They account for 56 percent of hospital revenues on average while individual insurance companies make up most of the rest.

PAYER MIX

The more a hospital gets from government funders – Medicare and Medicaid – the worse its finances are likely to be. That's because the government tends to pay less than commercial insurers.

Medicaid is typically the worst payer. So that's a big reason why hospitals in poor areas may suffer while those in rich areas tend to do pretty well.

Some experts say "payer mix" is destiny because it can really drive the numbers.

HOSPITALS ARE LOW-MARGIN BUSINESS

Even though hospitals are huge enterprises – collecting hundreds of millions of dollars a year or more – their profit margins tend to be pretty slim.

Most hospitals have an operating margin of 1 to 5 percent, meaning they keep one to five cents for every dollar of revenue. A really strong hospital (with a lot of commercially insured patients) will have more than a 10 percent margin. By contrast, pharmaceutical companies regularly have a 20 percent margin or more. Newspapers used to have margins in that range too, but not anymore.

The low operating margin for hospitals means that just a few changes can knock them into the red, such as a cut in state Medicaid or a slash in federal Medicare payments. This is why hospitals often employ teams of lobbyists to represent their interests at the state and federal levels.

COMMUNITY BENEFIT

Nonprofit hospitals are supposed to do charitable things for the community in return for their tax-free status. This is a huge issue because some hospitals have been doing far less than others. Congress and state attorneys general have been scrutinizing this trend. Illinois famously revoked the nonprofit status of a hospital after finding that its community benefit was near zero. The new IRS form 990 (one of six key documents described below) sets out the most specific definition yet for community benefit.

NONPROFIT HOSPITAL BOARDS

Nonprofit hospitals are run by self-perpetuating boards, whose members are not required to have financial or health care experience. They often are the richest people in the community and are put there for their contributions. They are the ones who hire and fire the CEO and bear ultimate responsibility for a hospital's performance. Yet reporters often overlook their dominant role.

Surprisingly, board positions can be handed down in families for many generations. It may be hard to rock the boat when your name is on the wall. Board members who work for the hospital have a clear conflict of interest in favor of the current administration.

THE OBAMA HEALTH CARE BILL

The health care law has a huge impact on a hospital's finances and quality. The law requires hospitals to:

- Conduct a community health assessment every three years and show how it will improve health.
- Adopt clear financial assistance policies for emergency care.

- Limit charges to uninsured patients to amounts billed on behalf of insured patients.
- Follow proper debt collection practices.

CHAPTER 29.

COVERING HOSPITAL FINANCES: CHALLENGES & OPPORTUNITIES

Now is a great time to begin covering hospital finances.

Hospitals are 30 percent of U.S health care spending. And given the size of the federal deficit, hospitals will almost certainly face tough times ahead (though their longterm growth is a good bet).

All roads to a balanced budget go through Medicare and Medicaid. Medicare especially took a big whack in 1997 when the budget was last put in balance.

Other issues to keep in mind on the hospital beat are:

NEVER RELY ON DOCUMENTS ALONE FOR A STORY.

Interview! A big gain or loss usually has many factors. Use the documents here to inform the reporting and use reporting to illuminate these documents.

TRY TO AVOID NUMBERS ONLY STORIES.

Find people who are affected. The ultimate point is how finances are affecting patients and their caregivers.

HOSPITAL PR FOLKS ARE NOT GOING TO BE MUCH HELP ON DIFFICULT STORIES.

But getting information from the documents may compel PR reps to release more information.

DON'T TRY TO FIGURE OUT AUDITED FINANCIAL STATEMENTS BY YOURSELF, ESPECIALLY IN THE BEGINNING.

It's a recipe for failure. Obtain the documents and find independent academic experts who can review them and teach you what the best questions are. They can also be quoted.

USE THE POWER OF YOUR PEERS.

Consider joining the Association of Health Care Journalists, the nation's leading group of health reporters. AHCJ has strict rules on not taking money from the industries that health reporters cover. The group's list serv can pick the brains of 1,100 journalists on deadline. AHCJ also offers tip sheets and conference sessions on hospital finances that can deepen your reporting. It's the quickest, most cost effective support out there.

CHAPTER 30.

COVERING HOSPITALS: 6 KEY DOCUMENTS TO DIG INTO

There are six key documents that will help get you started on understanding the economics of local hospitals and unearthing some good stories.

They are:

AUDITED FINANCIAL STATEMENTS

These are the gold standard for assessing a hospital's overall finances. Hospitals give these documents to banks, bondholders, suppliers and government agencies but rarely to reporters.

Where to get them

You should insist that the hospital give them to you. They may also be available on the SEC site: EMMA, Electronic Municipal Market Access.

Drawbacks

You will likely need an expert to help you interpret them.

BOND PROSPECTUS

This is the best document to get if budgets scare you. When a nonprofit sells bonds to raise money and modernize its facilities, it gives a prospectus to potential investors. This document summarizes the risks of the hospital repaying those bonds. It discusses a hospital's market position, financial performance and future prospects, and often discloses major litigation.

How to get them

From the hospital; a well-connected bond/stock broker; sometimes the Bloomberg terminal; And the SEC site: EMMA, Electronic Municipal Market Access. Other sites sell them.

Drawbacks

They are issued only when the bonds are to be sold so they may be out of date. They are issued by nonprofits and public hospitals, not for-profits.

BOND RATING REPORTS

Bond ratings evaluate a hospital's ongoing business and gauge investors' risk of being repaid.

How to Get Them

Rating agencies typically give the most recent hospital reports free to media. S&P Media Relations, (media_relations@standardandpoors.com), 212-438-6667; Moody's Investors Service: Moody's Media Relations, (mediarelations@moodys.com), 212 553-0376 or 0377. Moody's ratings are explained on the California State Treasury site. Lexis Nexis may also have these reports.

Drawbacks

The agencies can miss stuff and be lied to. Rating firms are paid by hospitals. They essentially missed the mortgage meltdown of 2008 and had AAA ratings on thousands of near-worthless subprime securities way late in the game.

IRS FORM 990

Nonprofit hospitals file these public documents annually to justify their tax free status.

They're useful for salaries, lists of board members, and many leads. The newest 990 is the best ever, representing the first upgrade since 1979. The new Schedule H sets out the first national criteria for disclosing charity care and community benefits. Schedule J indicates if anyone got first-class charter travel, travel for companions, housing allowance, residence for personal use and health or social club dues.

How to get them

Download from GuideStar or Foundation Center: Fund Finder (the IRS delays their release to these sites). By law the hospital must give them to anyone in a timely way.

Drawbacks

990s tend to be much older than the most recent financial statements. Guidestar is good for quick looks but doesn't always capture all the schedules.

MEDICARE COST REPORTS

Nearly every hospital files one with Medicare. They are helpful for gauging the performance of nearly all hospitals, including for-profits. Schedule G focuses on finances and shows total profit margin.

How to get them

Get them from the hospital, from the Medicare Fiscal Intermediary; from firms that collect them: American Hospital Directory's Cost Report Data will give them free to reporters in return for citing them as the source. Many companies collect them, including Solucient and Cleverley & Associates.

SEC DOCUMENTS, 8K (UNSCHEDULED MATERIAL EVENTS) 10Q(QUARTERLY), 10K (ANNUAL REPORT), DEF 14A (PROXY STATEMENT)

Where to get them

EDGAR – These can help illuminate more aspects of for-profit hospitals. Quarterly earnings calls can helpful if the issues are big enough.

Drawbacks

Info on specific institutions may be sparse.

PART VIII.

COVERING INSURANCE

It's called insurance, but this beat is really about people and the bad things that they hope won't happen. Paige St. John, from the Sarasota (Fla.) Herald-Tribune, explains ways to approach the beat with extra skepticism and very good sources. Originally published Aug. 30, 2011.

CHAPTER 31.

COVERING INSURANCE: AN INTRODUCTION

It's called insurance, but this beat is really about people, and the bad things that they hope won't happen.

It's about bills everyone pays, for products they are forced to buy, with little understanding of what they get in return. It's about tragedy, families stricken with illness and death, households and communities struggling to overcome disaster.

(It could also be about financial funds inventing exotic insurance policies to trade on global markets – the stuff the sub-prime crisis was built on – but that would take another beat primer entirely.)

The human connection to every insurance story is why, when properly drawn, they will attract a large and attentive audience.

What the reader requires is a translator.

A brief history will help.

Insurance dates back to ancient Greece and Rome, but the foundation for the modern form was laid out in a coffeehouse in London, called Lloyd's. Shipping interests met here in the late 1600s and, between the gossip, made agreements that if any vessel went down at sea, all of the owners would split the loss. The contracts took a disaster that would ruin any one owner and cut it into bite-sized pills everyone could swallow. Brokers handling the trades were free to earn interest on the money they held, and the modern insurance company was born.

The packages surrounding these transactions can be incredibly complex, but at its core, insurance is about the pooling of risk. Actuaries and underwriters are employed to make sure each participant pays its fair share for the risk they bring to the pool. And insurers, traditionally, make their profit off the "float," the time they have the money in their hands to invest.

That no one seems satisfied to leave it at that makes this a lively beat. "Never underestimate the power of fear or greed," the CEO of a reinsurance company told investors in an attempt to explain his trade.

Insurance companies and their trade organizations are well-funded and equipped to provide reporters large amounts of canned explanations and data on any aspect of risk, whether it's no-fault coverage for auto owners or limits on jury awards.

These tutorials and white papers are helpful starting points, but remember they are written by an industry poised to make money. Often missing is the consumer perspective.

For that reason, insurance reporters need to approach the beat with extra skepticism, and especially at first, seek very good sources. Retired regulators, company executives and others who have no dog in the hunt are invaluable. They can help turn insurance documents into English, decipher convoluted rate filings and point out the endgame.

Rating analysts, brokers and hometown insurance agents also are good at providing a reality check.

It won't be long before your own common sense fills in the missing pieces.

I also have a rule for insurance reporting: eat raw.

Because insurance is the sale of nothing but a promise, words that can be manipulated, it is one of the most regulated industries in the world. That means state regulators and their national trade group sit atop mountains of financial filings, audits, market-conduct exams and other wonderful finds.

Their ready availability gives a reporter no reason to stop at the company press release or the regulatory statement.

Rate filings will identify who or where the rate hikes are highest. They will shed light on questionable practices, such as using consumer credit scores to price policies, or to deny coverage to entire groups of people or communities.

Market-conduct reports bring more insight into bad business practices as well as what regulators are doing about them. And license applications show who is fronting the money behind the newest faceless enterprise.

Insurance also is a business built on adversarial relationships.

Carriers make more money when they give less of it to policyholders. Sometimes that means eliminating fraud. Sometimes it means just claiming fraud. The creative ways employed by insurers to deny and delay claims creates a healthy business for trial lawyers who sue them and means perpetual employment for the lobbyists hired to rewrite state tort laws to stop the trial lawyers.

Be wary of being used as a pawn in that battle, but use the field to your advantage. And remember that at the center are compelling human stories and public interests.

Bloomberg Market's David Evans dug into arcane delayed-benefit funds set up by life insurers and found war widows duped out of the money they were due.

After Hurricane Katrina, the Biloxi SunHerald's Anita Lee stepped off the local police beat to mine court cases. She searched for broad patterns and found evidence of insurance companies acting in bad faith, and storm victims struggling to rebuild their lives. Lee stuck with the insurance beat for three years because, she said, that's "where the real action is."

CHAPTER 32.

COVERING INSURANCE: FINDING TRUE LOCAL STORIES, ANGLES

I swore I would never write about insurance, but then there were the Florida hurricanes. Houses literally rotted a year later while insurers withheld checks, banking on a "tweak" in state law to get out of paying for storm-surge damage.

And there was the painful story of the mother whose daughter wasted away into the grave from anorexia, while her insurance company refused to allow continued psychiatric counseling. Insurers – lots of them nationwide – were using call-center "doctors" to dole out limited visits to mental health providers.

At Bloomberg Markets, David Evans found insurers giving life insurance beneficiaries a "checkbook" instead of a check, allowing insurers to pocket millions in unjust investment earnings. He made the story hit home by focusing on one particular group of beneficiaries: the survivors of fallen soldiers.

Time and again, the rewards for digging into an industry that won't speak English, or wrestling with stubborn numbers in Excel, are some of the most compelling stories you could possibly find.

The trick is to see the human element buried within.

When James B. Steele and Donald L. Barlett wrote "Critical Condition," they put a face on the plight of Americans without health insurance by showing a parade of community dinners for cancer victims and gas-station donation canisters for organ transplants. Steele said they found those telltale stories on Nexis, combining the search terms "medical bills" with "raffle" to troll through community newspapers.

The insurance beat also lies beneath just about any disaster, so be ready to roll after a storm, a tornado, a hurricane, an earthquake. Who is paying claims? Who is not? Are victims lost in limbo? Are they settling for less? Have scammers moved in to take advantage of the claims checks?

Biloxi's Anita Lee scoured court filings looking for patterns of industry abuses. Steele suggests tapping community legal service offices, where uninsured people struggling with hospital bills they can't pay turn up, and bankruptcy court, the recourse for employees struggling to collect on medical coverage after a local employer shuts down.

He adds, "The claims are all public and, in our wondrous age of the Internet, usually on line."

If you are a local reporter, and there is a statewide property-insurance rate hike, find the impact in your community. (Hint: If regulators can't tell you, ask to see the rate filing, and learn how to determine which territories cover your community.)

If you cover the statehouse, find stories by asking "Why?" on any bill dealing with insurance. Why should a certain medical treatment be exempted from routine coverage?

Insurance stories are even hidden in the company press release and the agency statement. A career can almost be made just by "truth testing" their claims.

And remember the most critical questions:

Who will be harmed?

Who will profit?

CHAPTER 33.

COVERING INSURANCE: A FEW OF THE CHALLENGES

Insurance companies don't speak English. Neither do regulators, actuaries or even lawmakers for that matter.

The challenge to getting a good insurance story into print, and an even bigger obstacle to getting it onto the air, is translating it into common words.

Then think about what you see and hear as you report, and ask if it makes sense.

This process of translating and challenging will help you dig beneath the Astroturf to find real dirt and real stories.

Biloxi's Anita Lee, a police and local politics reporter, took on State Farm (PDF) for bad faith in handling claims after Hurricane Katrina. Her advice to reporters thrown into a similar kettle: "challenge at every opportunity the secrecy so pervasive in the industry."

Good sources will help you work your way through the labyrinth. Tap local insurance agents, state consumer advocates and organizations such as the Consumer Federation of America. Some states have a consumer advocate.

Read others' works on the same subjects and note whom they spoke to. People who work in the background – legislative aides and regulatory analysts – can be a big help in getting started, even if they won't be quoted.

Though the topic was high finance, Reynolds Center blogger Rosland Gammon relays great advice from ProPublica Pulitzer winner Jake Bernstein, who encouraged reporters to talk to as many people as possible and to enter interviews with a willingness to learn.

Bernstein names two tools that help turn mud into crystal: Return to sources again and again until you are sure you understand what they are saying; and take a stab at writing parts of the story early.

Early drafts will highlight holes in your understanding. It also will show where what you know adds up to something more – a larger pattern or a deeper impact. Rewrite the rewrites, to further distill and synthesize difficult and complex issues. Your hard work will make an easy read with stronger impact.

Bring your editor on board early, too. They often face the same high learning curve that comes with

insurance, and it will save a lot of struggle and pain if your editor understands the issues you're working with.

Equally valuable is a read by an editor who knows nothing about insurance. Every one of the Sarasota Herald-Tribune's "Insurance Nightmare" stories went through a final understandability test on our metro desk, to make sure readers would not be left in the fog. The series won the 2011 Pulitzer Prize for Investigative Reporting.

CHAPTER 34.

COVERING INSURANCE: RESOURCES AND SOURCES

The good news about the insurance beat is that there are many sources of information among regulators, industry groups, consumer groups, ratings agencies, researchers and trade publications.

You don't have to decipher rate filings or market-conduct exams alone. However, be aware of the biases that each party might bring to bear on an issue and seek multiple interpretations on contentious topics. Here are some of those sources, including contact information for many:

REGULATORY

- **National Association of Insurance Commissioners**, nonprofit organization of state insurance regulators. Acts as a national repository of state insurance financial filings, publishes detailed industry statistics, and with input from those regulated, drafts model laws and regulations. State regulators and staff constitute myriad task forces and work groups with NAIC staff assistance, marked by quarterly meetings and monthly dial-in "chorus calls." Public access sites provide basic insurance financial status and complaint reports and pay-for-view detailed financial reports. Media may have access to documents, reports and chorus calls. Some NAIC meetings remain closed. Executive director Terri Vaughan, 202-471-3990. State commissioners take turns on board. Communications division 816-783.8909 and **news@naic.org**.
- **Center for Insurance Policy and Research**, Washington-based policy arm of the NAIC; provides comment on federal insurance regulatory proposals. 202-471-3990
- **InsData**, NAIC's pay-for-view access to detailed annual and quarterly financial filings of state-regulated insurers. Prices range from $10 to $30 per document, but the NAIC media affairs office will sometimes waive charges. The first five are free with a new registration.
- **National Council of Insurance Legislators**, nonprofit policy group through which state legislators on insurance-related committees draft model legislation, take positions on national policy. Executive director Susan Nolan, 518-687-0178 or by **info@ncoil.org;** Washington office 202-220-3014

STATE REGULATORS

Consult the **NAIC jurisdiction map**. Common online and/or electronic services to seek out: rate fil-

ings, policy and exposure data, financial and market-conduct exams, consumer complaints, policy-form changes, rate-comparison charts.

STATE CONSUMER ADVOCATES

- **Florida Office of Insurance Consumer Advocate,** Robin Westcott, 850-413-5923
- **Michigan Automobile and Home Insurance Consumer Advocate,** Melvin Butch Hollowell 517-241-2983
- **Texas Office of Public Insurance Counsel,** Deeia Beck, 512-322-4144 or **dbeck@opic.state.tx.us**

CONSUMER

- **State Public Interest Research Groups**
- **Center for Economic Justice**, Texas-based organization focused on serving minority and low-income consumers on issues of insurance, credit, utilities and other economic products. Birny Birnbaum, executive director, 512-912-1327.
- **Consumer Federation of America,** 202-737-0766 or **cfa@consumerfed.org**. Its director of insurance is Bob Hunter, former Texas insurance commissioner and former director of the National Flood Insurance Program. 207-864-3953; 703-528-0062
- **Consumer Watchdog**, California-based consumer-protection organization formed in 1985 by Proposition 103 author Harvey Rosenfield. Specializes in medical insurance, managed care and malpractice issues. President Jamie Court; Executive Director Douglas Heller. Contact: 310-392-0522. Office also in D.C.
- **Consumers for Affordable Health Care**, Maine-based organization on the National Association of Insurance Commissioners board. Executive Director Joseph Ditre, 207-622-7083 or **jditre@mainecahc.org**.
- **United Policyholders**, San Francisco-based consumer group. Executive Director Amy Bach, 415-393-9990, and **amy@uphelp.org**.

STATE-BASED CONSUMER GROUPS

- **Florida Consumer Action Network**, Tampa-based organization. Director Bill Newton, 813-877-6712.
- **Colorado Consumer Health Initiative**, coalition of Colorado-based health insurance advocates. 303-839-1261, or **inform@cohealthinitiative.org**.
- **Board member Barbara Yondorf (NAIC consumer representative)** 303-329-7912, or **byondorf@gmail.com.**

INDUSTRY GROUPS

- **American Academy of Actuaries** represents and unites U.S. actuaries from all practice areas.

Assistant director of communications is Andrew Simonelli, 202-785-7872 or **simonelli@actuary.org.**

- **America's Health Insurance Plans** (Health Insurance Association of America), national trade association representing the health insurance industry. Vice President of Communications Susan Pisano and Press Secretary Robert Zirkelbach, 202-778-3200, or **Press@ahip.org.**

- **American Insurance Association**, national trade organization for property-casualty insurance companies, with more than 300 member companies. Based in Washington. Federal issues contacts Blain Rethmeier, 202-828-7132 or **brethmeier@aiadc.org**; Willem Rijksen, 202-828-7139 or **wrijksen@aiadc.org**; Katie Kimball, 202-828-7129 or **kkimball@aiadc.org.**

- **Insurance Information Institute**, insurance industry-funded organization produces white papers on issues and publications, as well as a media guide. The III also privately drafts talking points and strategy plans for the industry. President Robert Hartwig. On Twitter **@iiiorg.** National press office in New York, Loretta Worters 212- 346-5500 or **media@iii.org.** Florida media contact Lynne McChristian at 813-480-6446 or at **lynnem@iii.org**; Regional media contact Bill Davis by cell 770-331-9279 or at **billjoe@bellsouth.net.**

- **Insurance Institute for Highway Safety**, Virginia-based research organization funded by auto insurance companies, focused on reducing losses in lives and insured property from crashes on national highways. Affiliate the Highway Loss Data Institute conducts research using access to industry data. Communications Vice President Russ Rader at 703-247-1500 or **rrader@iihs.org.**

- **Insurance Institute for Business and Home Safety**, Florida-based, research-and-advocacy organization funded by the insurance industry to reduce natural disaster and windstorm losses to homes. Media contact Joe King at 813-675-1045 and cell 813-442-2845 or **jking@ibhs.org.**

- **Insurance Services Office**, trade bureau through which insurance companies share claims and loss data, which ISO uses to create actuarial-rating tables for use in rate filings, policy forms and underwriting guidelines. Also a source of statistics, research and analysis about the insurance industry. Assistant Vice President for Financial Analysis Michael R. Murray, 210-469-2339; Outside media handled by MMM Group's Susan Kenney and Jessica Riccardi, 201-507-9500 or **skenney@mww.com** or **jriccardi@mww.com.**

- **National Association of Mutual Insurance Cos.**, based in Indiana, represents policyholder-owned mutuals such as State Farm. State media contact Lisa Floreancig in Indianapolis at 317-875-5250 or federal media contact Matt Brady in Washington 202-628-1558.

- **National Insurance Crime Bureau**, trade bureau through which insurance companies file and investigate suspected cases of insurance fraud. Supported by nearly 1,100 property and casualty insurers and self-insured organizations. Director of Public Affairs Frank Scafidi, 916-979-1510 or **fscafidi@nicb.org**.

- **Property Casualty Insurers Association of America**, **President David Sampson**. Media contact Cliston Brown, 847-553-3671.

- **Risk and Insurance Management Society**, daily risk, insurance and benefits news, searchable databases, legislative updates, professional advancement, student center, public record searches for risk managers. Based in New York, 212-286-9292.

- **Reinsurance Association of America**, trade and advocacy organization for reinsurers and brokers that underwrite the insurance risks in the United States. International membership includes Munich Re of Germany and Renaissance Re of Bermuda. General media inquiries: Barbara Carroll, 202-783-8390 or **carroll@reinsurance.org**.

- **Association of Bermuda Insurers and Reinsurers**, represents reinsurers and insurers based in Bermuda but mostly doing business in the United States. New York contact Brad Kading, president and executive director, 202-783-2434. Shares New York address of Reinsurance Association of America.

RATINGS AGENCIES

- **A.M. Best Co.**, provides easy access to look up the financial rating of insurers, get basic information on the company, and most importantly, find the rating analyst who knows the inside scoop. Media contact Jim Peavy, 908-439-2200, ext. 5644, or **james.peavy@ambest.com.**

- **Fitch Ratings**, same services as A.M. Best. The New York-based global head of communications is Daniel Noonan, 212-908-0706 or **daniel.noonan@fitchratings.com**.

- **Standard & Poor's**, the third of the big three rating agencies. Media contact to start with is Catherine Mathis**,** 212-438-6720 or **catherine_mathis@standardandpoors.com**.

AGENTS

- **National Association of Professional Insurance Agents**, association of independent insurance agents based in Virginia. Media contact Ted Besesparis 703-518-1352 or **Tedbe@pianet.org**.

- **Independent Insurance Agents & Brokers of America**, national alliance of 300,000 agents and brokers selling insurance through more than one company. Media office, 800-221-7917. Print contact Margarita Tapia at **margarita.tapia@iiaba.net**; broadcast contact Sue Nester at **susan.nester@iiaba.net**.

RESEARCH

- **Insurance and Risk Management Department**, **Wharton School of Business,** University of Pennsylvania, 215-898-7761.

- **Brenda J. Cude**, consumer representative on the National Association of Insurance Commissioners, University of Georgia, 706-542-4857.

- **Sabrina Corlette**, research professor at Georgetown University Health Policy Institute, 202-687-0880 or **sc732@georgetown.edu**.

- **Brendan M. Bridgeland**, director, Center for Insurance Research, based in Cambridge. 781-405-4809 or **insuranceresearch@comcast.net**.

- **Peter Kochenburger**, executive director of the Insurance Law Center, University of Connecticut School of Law; former counsel for Travelers Insurance. 860-570-5177 or **peter.kochenburger@law.uconn.edu**.

- **Stacey Pogue**, senior policy analyst, Center for Public Policy Priorities in Austin, Texas. 512-320-0222, ext. 117, or **pogue@cppp.org**.

READINGS

Quarterly earnings calls

Retrieve free transcripts of earnings phone calls among company executives and industry analysts at **SeekingAlpha.com/tag/transcripts**. Its homepage is also a good general business news aggregation site; check out the **Market Currents blog**. Also try **Morningstar.com/earnings**. Earnings-call transcripts not available for free through Google searches can usually be found at a charge at**ALACRA.com**.

Trade and business publications

- **InsuranceJournal.com**, industry trade journal provides daily and weekly email feeds by topic and region of interest.

- **National Underwriter**, owned by Summit Business Media, offers separate email newsletters and RSS feeds for **life and health insurance** and for **property and casualty lines**.

- **Bloomberg.com/news/insurance/**, ticktock coverage of the insurance industry. Better enterprise stories run at**Bloomberg.com/news/exclusive/**.

- **InsuranceHeadlines.com**, offers RSS feeds and daily and weekly email newsletters of core areas of interest (auto, home, life, financial services).

- **Advisen**, offers a free daily digest of top insurance and reinsurance market news stories, including some sponsored content. A **Twitter feed** also is available.

CHAPTER 35.

COVERING INSURANCE: GLOSSARY OF TERMS, CONCEPTS

In the lexicon of insurance, these two definitions often ring true:

Untold drama

How the insurance reporter sees the beat.

The plague

How the rest of the newsroom views insurance.

That's my effort to bring a little humor to the insurance beat, which can, at times, seem humorless and bewildering. A good handle on the terms thrown around is a necessity to penetrate the fog. The Insurance Information Institute has a very good glossary for many of the most mystifying words. Plowing through it will give you insight into how insurers operate and maybe a few story ideas. Here are some tips on the most basic concepts:

Risk

The insurance industry has many different ways of talking about risk, but it all boils down to the possibility a check will have to be written to a policyholder.

A long-tailed risk is a claim that might not come due until years after the policy was issued. Medical malpractice, which usually entails lengthy litigation, is a long-tail risk. Life insurance has an even longer tail. Home and auto policies, on the other hand, are short-tail risks. Long-tail policies allow insurers to make more money on investments, but also require large reserves for future claims and therefore conservative investment practices. Without, the insurer has not one risk but two – financial risk on the asset side of its books.

Reserves

At the time the premium is paid, insurers need to set money aside to pay potential claims. They'll need to beef up those reserves if there is a big event, such as a hurricane. This also is where there is the most wiggle room and the opportunity for danger – if a carrier understates its risk or dips into reserves (through a practice called releases) to prop up profits. More than one seemingly healthy insurer has collapsed overnight by understating reserves.

Profit and loss

Nothing will start a debate faster than what is and what isn't profit. When insurers pay out more in claims than they collect in premiums, that is called an underwriting loss.

That doesn't mean the insurer didn't make a profit. Insurers traditionally have a small underwriting loss and make their profit instead off invested premium and reserves. Even losses are open to interpretation, as insurers commonly report their anticipated claims (including IBNR, claims they think may have been Incurred But are Not yet Reported), not their total payments.

Policyholder surplus

This is the amount of money, over and above all obligations, that an insurer is required to keep for unexpected expenses and losses. State regulators have firm rules about the surplus capital required before a carrier gets a license, and sometimes a different amount to stay in business. U.S. regulators also require insurers to use a complex formula to determine how much capital they need to cover the risks they insure, as well as the ones in their investments.

This number is their Risk-Based Capital requirement. Generally property insurers must have twice their RBC (an RBC score of 200 stands for 200 percent), or they trigger regulatory scrutiny. A low enough RBC will require regulators to shut down the carrier. Important as the RBC is, it is not publicized. Hunt for it on an insurer's annual financial statement.

PML

When financial rating firms grade an insurer, or reinsurers sell disaster protection to a property insurer , they want to know its PML. The acronym stands for Probable Maximum Loss. It is a number generated by computer models that estimate the losses from events such as earthquakes, hurricanes and even epidemics. Most often the focus is on the PML associated with a specific frequency of occurrence. This can be expressed as a percent chance, such as a 1 percent chance. More often, it is reported in terms of the expected frequency of a loss that large, as in a 1-in-100-year hurricane, or 1-in-250-year earthquake. That is NOT a 100-year hurricane, since a single company can experience a 100-year loss even in a small storm, if it strikes the right place. PML is cumulative, so a 1 percent chance over five years becomes a 5 percent chance, and so on.

PART IX.

INVESTIGATIVE BUSINESS REPORTING

Investigative reporting allows you to dig deeper into complex issues and corruption. This guide by John Emshwiller, a veteran *Wall Street Journal* reporter, will maximize your chances of finding an in-depth story. Originally published May 1, 2012.

CHAPTER 36.

INVESTIGATIVE REPORTING: AN INTRODUCTION

"Investigative reporting" is a term that can cover many sins –and, hopefully, uncover at least a few sinners.

The best definition/description I've heard of the term is any reporting that uncovers information that people in power would like to keep secret. Under this umbrella, investigative reporting can be a daily story sparked by a sentence buried in a document. Or it can be a months-long project that entails reading through thousands of pages of documents and talking to dozens of individuals.

Investigative reporting isn't a traditional "beat." (Indeed, given what's happening to print journalism, being an investigative reporter for a newspaper could qualify for a spot on the endangered species list.) Unlike someone who covers an industry, such as autos or retailing, an investigative business reporter doesn't have a natural flow of stories generated by a company or governmental body. Essentially, investigative reporting involves looking for the information those bodies *aren't* announcing and in some cases are trying to bury.

A great thing about investigative reporting is that any reporter can do it. Much of the best investigative journalism has been done by beat reporters, who in the course of their routine work ran across a document or a source that opened a door to a hidden compartment that produced a treasure trove.

The obvious initial challenge is finding those overlooked nuggets. There is no "scandals ready to be broken" website to consult and no oracle who'll whisper in your ear where to find the next Watergate or Enron.

Still, there are things a reporter can do to maximize his or her chances of finding such a story. If you are covering a business beat with publicly-traded companies (or an investigative reporter looking to learn more about a particular company), the EDGAR database of corporate filings kept by the U.S. Securities and Exchange Commission should be a regular stop. A company's 10K (its annual report), its 10Q (quarterly report) and its 14A (proxy statement for the annual meeting) can be great sources of information and leads. So too can an 8K filing, which a company must make when it experiences a "material event" that requires disclosure to the public before its next 10K or 10Q report.

Much of the information in these corporate filings is mundane and written in a mind-numbingly dull style by lawyers apparently paid by the word. Particularly good areas of the reports on which to focus include the litigation section. Lawsuits involving the company can often be great sources of information for investigative pieces.

Another area always worth reading is the so-called "related-party transactions" section. Here, the company must report any outside business/financial dealings it has had with a company executive or director – in other words some transaction that could represent a conflict of interest.

The seeds of Enron's spectacular late 2001 collapse into bankruptcy and scandal could be found in the company's related-party disclosures regarding its massive financial dealings with the LJM partnerships run by its chief financial officer, Andrew Fastow. Those disclosures had been buried – largely unread and certainly unnoticed by the press and public – for two years in Enron's SEC filings. When The Wall Street Journal discovered and started writing about these partnerships, Enron was in bankruptcy a month and a half later. The main pieces in that series were essentially daily stories, with the next one often sparked by a tip generated by the previous story.

Of course, investigative business journalism often involves a much longer time horizon. While there's no one blueprint for finding and reporting such stories, it can certainly help to choose some broad topics to follow. The choices can be determined by areas that you decide are particularly important to your readers. For example, if you're in a major port city, what goes on at the port is often a major ongoing business story and a potential source of good investigative pieces, ranging smuggling operations to worker-safety issues to corruption in handing out contracts for work at the port.

Whatever the broader topic, get to know and stay in touch with some of the major players in the field. Often, periodic conversations, ideally done in person, can produce a lead. Also find out what the major regulatory bodies are. Get to know as many of the current and former regulators as you can. They can be great sources of ideas and information, to the degree they can and will talk. Find out what filings the regulators and companies in the particular area routinely have to make. Read them. If the field is followed by academic researchers, they can also be very fruitful sources. In other words, find some areas to follow and then cast a wide net.

CHAPTER 37.

INVESTIGATIVE REPORTING: IDENTIFYING LOCAL STORIES, ANGLES

Localizing an investigative business story – assuming it isn't a piece that starts and ends in your backyard – often involves picking some broader national or even international subject and then finding a hook close to home.

Given that companies are involved in practically every aspect of life, there is a wide field to choose from. And there's no single database or set of databases to point you to. But perhaps a couple of examples might help.

A big, ongoing national story is the activities in the U.S. of agents representing foreign countries. Being based in Los Angeles, I got interested some years ago in how many agents representing the Chinese government were in Southern California and, more importantly, what were they doing. I managed to cage a list from a source in the U.S. labor movement who had a particular interest in Chinese affairs. However, there are websites that registered foreign agents by country, such as the Foreign Agents Registration Unit.

With my list of names, addresses and phone numbers, I got in my car and drove to each of a half dozen addresses. The first five were dry holes, either the firm had moved or inquiries about the agent were met by shrugs.

The last stop turned out to be a nightclub that hadn't yet opened for the evening. I called the number I had for the place and asked for the Chinese agent by name. "Oh, he's up at the ammunition factory," I was told.

As it turned out this Chinese agent, who ran the nightclub, had just opened an ammunition factory, which just happened to start-up around the time that President Clinton banned the importation of Chinese rifles and ammunition. As an added point of interest, he'd opened it in one of the more corrupt little towns in Southern California.

The eventual story about the ammunition factory drew a good deal of attention and caused the foreign agent-cum-nightclub owner, cum-cartridge-maker to take an extended trip back to China.

On another front, in recent years there has been a surge of hundreds of small new companies coming to the public stock markets with purported headquarters in the former Soviet Union and China. Many of these companies are mere corporate "shells" with essentially no assets or employees and only the

vaguest of business plans. They are vehicles that can be used for illegal stock manipulations and a number have been.

Let's say you want to see if any of these shells have landed in your community. You could start by going the Securities & Exchange Commission's free EDGAR database, which contains the filings of thousands of public companies. What you'd be looking for is a filing called an S-1, which is filed by a new – and often tiny – company seeking clearance to sell its stock from the U.S. Securities and Exchange Commission (SEC).

A useful landing page within the SEC's main site is the full-text search, which allows you to do keyword searches of all filings going back four years. You can then click on "advanced search," which allows you to customize your keyword search by, among other things, the type of filing, such as an S-1. Then type in keywords, such as "Ukraine" or "Kiev" or "Russia" and start pulling down filings on companies with appear to be shells.

Once you have that list, look for commonalities among the companies, such as using the same law firm or accounting firm. If such a law or accounting firm comes up, you can then put the name of the firm back in the keyword search engine to see what other little companies come up using that same firm. Shady stock promoters often use the same law or accounting firm for dozens of shell companies.

Once you get a list, see if any of those companies are local to you. You should also run each of the company's names through the EDGAR database, since many of these shells change their name.

A story The Wall Street Journal did a couple of years ago on this subject came up with a dozen shells out of the Ukraine and Russia that all used the same small U.S. law firm. One started out as a would-be string of Ukrainian massage parlors and ended up as a U.S. gold-mining company whose stock soared – at least for a time.

CHAPTER 38.

INVESTIGATIVE REPORTING: CHALLENGES AND HURDLES

I once helped edit an investigative piece looking at the checkered business career of an important governmental figure. The reporter had spent months on the piece and had dug up some really solid and damning information about the guy's practices and dealings with other parties in business deals.

But it also turned out that a couple of this person's victims also acted less than ethically in some of the deals. The reporter initially resisted including that information, arguing that these were minor characters and mentioning their failings would simply confuse readers. We argued for a while, as I recall at least a couple of beers were involved, and he finally agreed that the information should be included.

To me, this was an example of a common danger when doing investigative reporting: a certain fear of moral complexity and a desire to paint things as much as possible in terms of good versus bad.

It's an understandable mistake. Much investigative reporting is powered by the desire to uncover wrongdoing. And, generally, for an investigative project to work sufficient evidence of misdeeds needs to be found.

However, reality rarely comes in just black and white. A reporter should always seek out information that could challenge or modify the story's basic theme. If the basic premise of a story is solid and has sufficient evidence to back it up, adding a certain amount of nuance and complexity often enhances its credibility – and potential impact.

Generally, the best place to get such information is from the person or entity that's the subject of the investigation. The effort to get such information should be genuine and not just a perfunctory 11th hour call. Even if you get a no comment, it's generally a good idea to send detailed, written questions. The questions should cover anything critical that's going to be included in the story about that person or entity. Sometimes, such an overture will shake loose relevant information. Even if it doesn't, you at least know the subject of your piece has had a chance to respond to everything. Depending on the story, it's often a good idea to contact the subject of the investigation earlier than later in the reporting. Of course, that's not the case where you think the subject could interfere with your reporting, such as a company seeking out threatening employees who talk.

But often, the subject can't do all that much to slow down your reporting. Early contact can serve two purposes. One, it sometimes makes the subject more willing to talk if he thinks you are genuinely interesting in getting his side as opposed to coming at the very end of reporting with a story largely done.

Plus, contacting the subject early can help avoid another problem in an investigative project: spending lots of time reporting a theme that ultimately turns out not to be supported by the facts. The subject of the investigation is often the best source for such information. Whatever path you take on reporting the story, it's vital to keep testing your main premises early and often.

CHAPTER 39.

INVESTIGATIVE REPORTING: RESOURCES AND READING

The resources, online and otherwise, for investigative business reporting are as vast and varied as the topics that a reporter pursues. Below are a number that could be useful over a range of different kinds of investigations.

WEBSITES

U.S. Securities & Exchange Commission

The main webpage for the SEC, contains lots of information on securities laws and regulations as well as enforcement cases brought by the agency. Within this website is the EDGAR database, which contains the filings of thousands of publicly-traded companies. **EDGAR can be keyword searched** for free going back four years.

Part of the website of the Financial Industry Regulatory Authority

A securities industry self-policing organization, allows you to look up brokerage firms and brokers to see what, if any, regulatory problems they've had.

SEC Investment Adviser Search

This search will help you find broker and brokerage firm information.

Footnoted

A website that tracks SEC filings and highlights buried nuggets of corporate news.

SEDAR

This site is similar to the SEC Edgar database of filings, except for Canadian public companies.

Public Access to Court Electronic Records (PACER)

This website, provided by the federal judiciary, does cost money but it's an incredible bargain. After setting up an account, you can pull down and read tens of thousands of civil, criminal, bankruptcy and appellate court filings for just 8 cents a page, with a $2.40 per document maximum charge. You can either search in a particular federal court or do a nationwide search of all federal courts.

Administrative Office of U.S. Courts

This site includes lots of information on caseloads in federal courts around the country.

Fedspending.org

An online guide to where tens of billions of federal dollars have been spent.

TRACfed

A database, much of it gleaned from FOIA requests, which has information on federal government employees and the activities of federal agencies.

OpenSecrets.org

A source for information on political contributions and lobbying activity at the federal level.

FollowtheMoney.org

A guide to political contributions in state elections.

Pipl, Who is John Doe – and where to get the paper on him, AnyWho, Switchboard

Four, among many, websites for finding U.S. people, addresses, phone numbers and other relevant information.

Infobel

An international people-finding directory.

United States Attorney's Offices Contact Information

Department of Justice site with links to all the websites of U.S. Attorneys offices in the county.

Foreign Agents Registration Unit

Government website for finding information on registered foreign agents.

Investigative Reporters and Editors (IRE)

The homepage for Investigative Reporters and Editors, a journalism group that for over 35 years has been encouraging and providing helpful guidance on investigative reporting.

Wayback Machine

This website allows you to view past versions of websites. Can be useful in seeing what information a company or entity used to have on its website – and possibly removed in hopes that nobody would find it.

Guidestar

Place to get the tax returns (known as Form 990) for non-profit organizations. Such reports can be useful for obtaining information about non-profit's finances and officials.

FlightAware

Website for tracking airplane flights. Can be useful if you are trying to find out where a corporate jet has been going – as long as you have the plane's tail number.

CAL-FOI archive

A website with guidance on filing FOIA requests and seeking out publicly available data.

RECOMMENDED READING:

Investigative Reporter's Handbook

A guide from the folks at Investigative Reporters and Editors.

Business Background Investigations

Another how-to guide. Also available at IRE.

"**All the President's Men**"

This classic tale of Bob Woodward and Carl Bernstein's efforts to uncover the Watergate scandal is worth reading every so often, if only to be inspired by what reporting can do.

CHAPTER 40.

INVESTIGATIVE REPORTING: GLOSSARY OF KEY TERMS

Given the range of possible investigative projects, there isn't really any particular glossary of terms to cover the area. However, here are some terms that could come in handy at times.

10K

A company's annual report filed with the Securities & Exchange Commission.

8K

Term to describe an SEC filing in which a public company reveals material information that needs to be put out quickly.

Related party transactions

Refers to private dealings between a company and its own officials, dealings that can be the source of conflict-of-interest problems.

Non-prosecution agreement

An arrangement where the government agrees not to indict a corporation if the company pays monetary penalties, cooperates with investigators and/or makes certain changes in its practices and structure.

Witness, subject, target

In federal criminal investigations, there are often three levels of individuals that federal officials are looking at. A witness is someone who has information about a suspected crime but isn't believed to be guilty of anything. A subject is someone who is more involved in the possible wrongdoing but isn't, at least at the moment, likely to be indicted. A target is someone who is being looked at for possible indictment.

Unindicted co-conspirator

A figure in an alleged fraud who hasn't been indicted, but in the eyes of the government could be based on the available evidence. In big fraud cases, it's fairly common that the government doesn't indict everybody that it believes is guilty. In the Enron scandal, for example, the government filed crimi-

nally charged more than two dozen individuals but said there were dozens of additional unindicted co-conspirators. Often, even Uncle Sam doesn't have the resources to indict everybody.

PART X.

COVERING BANKING

Welcome to one of the most exciting beats in business. Heather Landy, Mary Fricker and Theo Francis tackle some of the big issues. Originally published Oct. 14, 2011.

CHAPTER 41.

COVERING BANKING: AN INTRODUCTION

Welcome to one of the most exciting beats in business – at least at the moment. Wall Street aside, the workaday job of traditional banks had long been seen as staid and un-newsworthy, until banks of all sizes and in practically every geographic market got swept up in the latest crisis and started failing by the hundreds.

The banking beat encompasses a wide array of topics – some very specific to the industry (like bank regulation or lending trends) and some that involve the sector's approach to more universal issues, like corporate governance reform, management succession, quirks of accounting, and changes in technology and consumer behavior.

In our lifetime, banking has never been a more political topic than it is now. It's a great angle to explore; but take care not to lump in the First Bank of Wherever with the Bank of America and Citigroups of the world. The CEO at the First Bank of Wherever probably was getting paid a lot less than the infamous "fat-cat bankers" who were taken to task in 2008/2009, and his or her bank probably was not very involved in the esoteric market instruments that have been blamed in part for the downfall.

That said, beware the small-town banker who blames his or her troubles on everyone else. Many small banks were reckless in their own way, making loans in markets they did not understand, or investing in securities that they hoped would produce outsized returns, or lending to borrowers who had no business getting credit from anyone. There's no better evidence of all the trouble at small banks than the wave of small-bank failures triggered by the crisis.

Although failures have slowed this year, they're still occurring at a pace well above historical averages. The Federal Deposit Insurance Corp. (which supervises thousands of banks and provides the insurance that protects consumers from losing their deposits when a bank folds) shut down 61 banks in the first half of 2011. For a sense of the trouble still to come, consider that at the end of the first quarter of 2011, the FDIC had a list of 888 banks classified as "problem institutions."

That's the highest number since 1993, the Savings & Loan crisis era. Not all problem institutions will fail – and the FDIC never names names here – but an expansion or contraction in the number of banks on the problem institution list can help you gauge the general health of the industry.

It's taken awhile for the financial shocks of 2008 to work their way through the economy. Some bankers are still playing a game of "extend and pretend," hoping that distressed borrowers will recover

enough to pay their obligations in full, when what the bank really ought to do is write down the value of the loan. But write-downs hurt the bottom line, so there is a natural tension in the way banks approach loan valuations.

Banks also are dealing with a much heavier regulatory burden. Regulators have stepped up their scrutiny, and a host of new rules have led to higher compliance costs.

Hundreds if not thousands of banks are expected to shut down in the next few years. The smallest banks, which will have the hardest time shouldering new compliance costs and the like, generally are believed to be the most vulnerable to failures or takeovers. Some owners may just decide to shut down their businesses as they approach retirement age. In any case, there are many factors that make it highly likely that banks in your town will go away or get acquired, and it's always big news when a bank shuts down or a new owner enters the market.

CHAPTER 42.

COVERING BANKING: CHALLENGES, COMMON ERRORS AND HOW TO AVOID THEM

There are several challenges to bank reporting, some you can anticipate, some you cannot. This list of tips is designed to help prepare you in a way that will help limit the challenges and reduce the time you may take navigating them.

- Like any specialized coverage area, the beat has a vocabulary of its own. (The banking terms glossary provided here should help on that front.)
- Income statements and balance sheets for banks can be extremely difficult to interpret, even for business reporters with years of experience in looking at financial statements of other kinds of companies.
- There are many categories and line items that simply don't appear in too many places outside of banking; the size of bank financial statements can be intimidating, and deciding what to focus on can be tricky at first.
- There are some concepts in banking that can be hard to wrap your head around. A loan is considered an asset, even though it represents money that the bank has temporarily parted with and that might not get paid back in full. Deposits are considered liabilities, even though they literally represent money in the bank – this is because the money belongs not to the banks, but to the depositors, who can yank the money back out.
- The income statement and balance sheet data that I think is most useful to point out, in general, is net income, revenue, net interest margin, loan-loss provisions/releases, nonperforming assets and net charge-offs, and the Tier 1 risk-based capital ratio (see glossary).

Understanding the U.S. regulatory architecture is tough. Even the experts are baffled by our system, which compared with the architecture in other developed countries is very unwieldy. Here's a quick cheat sheet on that:

- State-chartered institutions (those that get their charter from a state banking department) are supervised jointly by their state chartering authority and either the Federal Reserve or the FDIC. (The bank can choose.)
- National banks are chartered by, and supervised by, the Office of the Comptroller of the Currency (the OCC), which is a bureau within the Treasury Department. Under the Dodd-Frank Act, much of the work of the Office of the Thrift Supervision, which separately chartered and examined

thrifts, has been folded into the OCC (some of the work has been divided among the FDIC and the Fed). Of course, Dodd-Frank also established several new bureaus, so in terms of structure, things are only more confusing than they used to be.

- The Federal Reserve oversees state-chartered banks who choose to be part of the Federal Reserve System. Importantly, the Fed also oversees bank and thrift holding companies (which in turns might own chartered banks overseen by the Fed, FDIC or OCC), and Dodd-Frank gave the Fed supervisory oversight of all systemically important institutions, whether they are banks or non-banks. The definition of what makes a non-bank company systemically important is still being worked out.

Visuals can be tough to come by. Beyond statistical charts and photos of bankers and ATM lobbies, it's tough to be original in your visual presentations. But that makes it all the more crucial to find something unique. I try to think about what's easy for readers. Instead of looking at a dull chart showing bank merger data, wouldn't it be more interesting to make a map and show the number of bank deals that have occurred in each state or region?

Sources can be challenging to cultivate, but no more so than in other industries. You'd be hard-pressed to find a regulator or a lawyer willing to whisper the names of banks on the brink of failure; but if you have a general sense of who in your area is healthy and who is in trouble, you can do some deductive reasoning on your own when your friend who works at the front desk of a local hotel reports that a block of rooms has just been taken by a group from the FDIC.

CHAPTER 43.

COVERING BANKING: GLOSSARY OF TERMS, CONCEPTS

Banking surely is a beat with a language all its own. This is a list of some of the key terms you'll need to know and will come across frequently. The three sites I consulted in the arrangement of this glossary, are named below.

Asset

Anything on the balance sheet with value to the company. In banking, this includes loans, which can be a little confusing since loans involve money that a bank has departed with for the benefit of a borrower. But because that money is lent out with the expectation that it will return to the balance sheet eventually, it's an asset, just like the securities (Treasury bonds and the like) that a bank might own.

Bank Holding Company

A company that controls a bank (or several banks) but is not necessarily chartered itself to operate a bank; a structure favored because of the relative ease with which a bank holding company, as compared to an actual bank, can raise capital. Bank holding companies are regulated by the Federal Reserve, although the banks they own may primarily be under the supervision of another agency, such as the OCC or FDIC.

Basel Committee on Banking Supervision

An international forum for bank supervisory authorities. Administered from Basel, Switzerland, the committee sets capital adequacy standards and other guidelines intended to enhance cross-border synchronization of bank regulations.

CAMEL

An acronym for the rating system that federal regulators use for their examinations of banks (banks are evaluated based on their Capital, Asset quality, Management, Earnings and Liquidity).

Capital

All of the equity in a firm; for banks this generally means common and preferred shares, surplus capital and profits.

Capital markets

Markets where companies or governments can raise long-term funds, i.e. debt and equity. An alternative to bank borrowings for companies that are not self-financed.

Capital ratio

A measure of a bank's financial health. There are many different types of capital ratios. Commonly cited ratios include the Tier 1 capital ratio, which is Tier 1 capital dividend by risk-adjusted assets; the leverage ratio, which is Tier 1 capital divided by average total consolidated assets; and the so-called Texas ratio, which divides nonperforming assets plus real estate owned by the sum of tangible common equity and loan-loss reserves. See individual entries for each term listed here in bold.

Certificate of deposit

A deposit for a specified term that earns interest at a specific rate; CD terms can be as short as one week or longer than 10 years, with rates generally rising the longer-dated the deposit is.

Charter

The legal authorization, granted by a federal and/or state regulatory agency, for a bank to conduct its business. All banks must be chartered. National banks are chartered by the Office of the Comptroller of the Currency (OCC); the Federal Reserve System charters institutions known as state-member banks; and the FDIC charters insured banks; some state-chartered banks are chartered by state regulatory agencies.

Commercial bank

A financial institution that offers a broad range of services, typically including checking and savings accounts, credit cards and business loans; see entry for investment bank to better understand the difference between commercial and investment banks.

CRA/Community Reinvestment Act

A federal law that requires banks to lend in the areas where they take in deposits; intended to spur investment in poor communities and neutralize biases that might hamper investment in neighborhoods with high concentrations of minorities.

CRE

Bank-speak for commercial real estate

Credit Risk

The risk that a borrower or counterparty fails to follow through and make good on an obligation

Credit Union

A nonprofit cooperative owned by its users; usually for employees of the same company, or members

of the same union, etc. Credit unions get tax benefits that allow them to generally offer lower rates and fees than banks, but credit unions have not been without their problems as a result of the recent crisis

Demand deposit

A deposit that can be withdrawn on demand, without penalty; this usually is a deposit in a checking account (also known as a DDA, demand deposit account)

Depository institution

An institution that is permitted to take deposits

Dodd-Frank Act

The omnibus financial reform bill passed by Congress in July 2010 in response to the financial crisis; named for Chris Dodd and Barney Frank, the respective chairmen at the time of the Senate Banking Committee and House Financial Services Committee, the bill established the Consumer Financial Protection Bureau, a new arm of the Federal Reserve; it abolished the Office of Thrift Supervision, the regulator for savings and loans; it created a Financial Stability Oversight Council, tasking representatives of financial regulators to identify and respond to emerging risks to the financial system; and authorizes a wind-down process for large institutions that might otherwise have been considered "too big to fail" (the effectiveness of which cannot be measured until the next failure of a giant institution).

Durbin Amendment

A last-minute addition to the Dodd-Frank Act that instructed the Federal Reserve to cap debit card swipe fees (also known as debit interchange). The amendment, sponsored by Illinois Sen. Dick Durbin, was strongly opposed by bankers and their supporters on Capitol Hill, which worried that the fee cap would prevent banks from covering the cost of providing debit interchange services to merchants that accept debit cards. (The Fed ultimately set a cap of 21 cents per swipe, plus 0.05% of the transaction amount; this may not allow banks to recoup the full cost of interchange when factoring in costs like fraud protection, but it's higher than the 12-cent cap initially proposed by the Fed.)

Enforcement action

A measure taken by a regulator against an institution for a violation of laws, capital rules, unsound practices, etc. May be preceded by an informal action, frequently referred to as a Memorandum of Understanding, or MOU. Formal enforcement actions are available to the public. For a database of OCC enforcement actions.

Fannie Mae/Freddie Mac

government-sponsored enterprises (GSEs) started by the federal government to facilitate financing for housing; Fannie (formally known as the Federal National Mortgage Association) and Freddie (the Federal Home Loan Mortgage Corporation) were put into conservatorship in 2008, when the government stepped in to guarantee the debt of the GSEs.

FDIC (Federal Deposit Insurance Corp.)

The federal agency that insures deposits in banks and thrifts up to $250,000 per customer; the agency also regulates more than 4,900 banks and savings institutions, and is the primary regulator of banks that are chartered by states but choose not to join the Federal Reserve System. For more about the FDIC.

Federal funds (aka fed funds)

Short-term loans between banks; these funds are not guaranteed by the Fed or the federal government, but are exchanged between banks by transferring balances from the lender's account at its Federal Reserve district bank to the borrower's account at *its* Federal Reserve district bank.

Federal funds rate

Rate at which overnight fed funds are traded.

Federal Reserve

The federal agency responsible for conducting monetary policy (with the twin objectives of stable prices and maximum employment) and tasked with regulating certain kinds of banking institutions and maintaining the stability of the financial system. Business writers may be accustomed to following the Fed in terms of the macro-economic environment; from a banking beat perspective, it's important to know that in addition to setting benchmark interest rates and the like, the Federal Reserve Board and its network of district banks (i.e. the New York Fed, the Atlanta Fed and so forth) has supervisory authority over 900 "state member" banks and 5,000 bank holding companies—and, under Dodd-Frank, any financial institution (even non-banks) that are considered systemically important.

Interchange fee

The fee that a merchant's bank pays to a customer's bank when the customer uses a debit or credit card to pay for a transaction; see entry for Durbin Amendment.

Interest rate risk

The risk that an investment's value will change because of a change in the interest rate environment; for banks, this primarily is a concern.

Liability

An obligation. In banking, this includes deposits.

Loan Loss Provision

An expense set aside to cover bad loans.

Net interest margin

The different between the interest a bank earns on its assets (loans, securities and investments) and

the interest it pays out to depositors. Often referred to as NIM, this is a key measurement of a bank's health and is talked about frequently in the context of rising or falling interest rates.

Nonperforming Asset or Nonperforming Loan

An asset (usually a loan) that is in default or otherwise not producing any income for the bank.

OCC

Office of the Comptroller of the Currency; the Treasury Department bureau that is the chartering authority and supervisor for nationally chartered banks.

Overdraft

The amount by which withdrawals from a checking account exceed funds available in the account; in the aftermath of the credit crisis, the Fed changed the overdraft rules known as Reg E to make overdraft policies more transparent to bank customers.

Payments system

A system that allows for the exchange of debits or credits; the broad term used to describe debit- and credit-card systems.

Private bank

A bank, or division within a bank, that offers personalized services to affluent customers.

Private equity

An investment in equity that is not quoted on a public exchange; private equity firms have become more entrenched in banking in recent years by acquiring stakes (or in some cases buying companies outright) in distressed-bank situations.

Regulation E

See entry for "overdraft".

Savings and loans

Specialized banks, also known as thrifts, that were formed to promote savings and affordable home ownership; the S&L crisis of the 1980s occurred after thrifts were allowed to invest in risky commercial ventures.

Syndicated loans

Loans that are extended by a group of banks (but administered by a smaller group of banks, or an individual bank); the pooling of credit helps banks to spread risk and helps to support giant funding packages for large borrowers.

TARP/Troubled Asset Relief Program

The federal bailout program devised in 2008 to help ease the credit crisis. Most large banks have repaid their TARP funds, but many credit extensions made under this program remain outstanding.

Tangible Common Equity

Shareholders' equity that is NOT preferred equity or intangible assets. This figure essentially indicates what owners of common stock in a bank would receive in the event of the bank's liquidation. Of course, often what common stockholders receive in the event of liquidation is nothing. TCE was very much in vogue during the 2008 credit crisis, but since then the fixation on TCE seems to have been replaced (and probably with good reason) with a fixation on Tier 1 capital (see separate entry below).

Texas Ratio

A ratio commonly examined for risk of bank failure. The ratio is calculated by dividing nonperforming assets by the sum of tangible common equity and loan-loss reserves. When the ratio approaches 1:1, or 100 percent, the bank often is at or near the tipping point for failure.

Tier 1 Capital

A core measure of a bank's health; this includes equity capital (common shares etc.) and reserves. The ratio of Tier 1 capital to total risk-weighted assets is known as the Tier 1 capital ratio and it must be at least 6 percent to meet coming regulatory standards. Under new bank regulation rules, what qualified as Tier 1 capital in the past won't necessarily quality as Tier 1 capital in the future; regulators are building a stricter interpretation of what counts as Tier 1 capital.

SITES CONSULTED IN THE ARRANGEMENT OF THIS GLOSSARY INCLUDE:

Bankrate.com Glossary

UBS Dictionary of Banking

American Banker – Banker's Glossary

CHAPTER 44.

COVERING BANKING: RESOURCES

Here are several of the key resources, local and national, for the banking industry.

FDIC

The Federal Deposit Insurance Corp. (FDIC) is the federal agency that insures deposits and acts as the receiver for most failed banks. Its website is a treasure trove of data and information, ranging from basic facts about the industry to detailed analysis of banks and sector trends. At FDIC.gov, you can easily find links to the agency's online press room and to the agency's RSS feeds. Just click on the "News & Events" tab for media information; for bank data and statics, click the "Industry Analysis" tab.

The FDIC maintains a frequently list of banks that have failed, at FDIC's Failed Bank List. This list includes the names of banks that have failed, along with their locations and their acquirers. Click on a specific bank on the list for more information including a link to the FDIC's press release announcing that bank's failure, details about the acquiring institution, and information that customers and claimants would be interested to know.

The FDIC also maintains a list of "problem banks," a watch list for banks considered to be at risk of failing. This contents of this list are confidential; however, in the FDIC's "Quarterly Banking Profile," available at the FDIC's Research & Analysis page, the agency will disclose how MANY banks are on the list, which can be useful, along with the pace of actual failures for a given quarter.

Additionally, the FDIC site offers individual state profiles, which you can find under the Industry Analysis tab (or on this FDIC State Profiles page). Click on your state on the U.S. map, and you'll find quarterly trends (usually only a few months behind real time) including the number of banking institutions in your state, total bank assets, the number of new institutions formed in the past three years, loan loss data, loan concentrations by category (residential real estate, agriculture, etc.), average capital ratios, employment data and so on. You'll also find the largest deposit markets in your state. All of this can be useful as background matter in a story, or it may inspire a trend story on its own.

OCC/FEDERAL RESERVE

The Office of the Comptroller of the Currency charters, regulates and supervises all national banks and federal savings associations, along with the U.S. divisions of foreign banks. Its oversight can overlap with that of the Federal Reserve. For example, the Fed is the primary regulator for Citigroup, the

holding company for Citibank and all the other businesses under the Citi umbrella. But the OCC is the primary regulator of the Citibank subsidiary, which is a national chartered bank. The OCC site can be useful, but in terms of covering the banking beat, it's not as robust as what the FDIC offers.

The Federal Reserve site also has information that will be useful to banking reporters (you can see total lending by loan category, etc.), but its biggest strength in terms of data is information on the macro economy.

LOCAL REGULATORS

It varies state by state, but a quick Google search will bring you to the website of your local bank regulator, which most likely has a feed you'll want to follow or a distribution list you'll want to be on.

TRADE GROUPS

Trade groups obviously have their biases, but they can be useful sources of information on all kinds of issues. Groups such as the American Bankers Association (no relation at all to American Banker or American Banker Magazine) are frequently consulted by legislators and regulators on matters of policy, so they often are in the loop on topics reporters would want to ask about, such as economic trends, regulation, political developments and the like.

- The American Bankers Association represents banks of all sizes.
- The Independent Community Bankers of America represents smaller institutions.
- The Financial Services Roundtable represents about 100 of the biggest banks and financial services companies.
- The Institute of International Finance represents about 400 multinational firms, including some of the world's largest investment banks and commercial banks, along with insurance and investment-management firms.

All of the above websites offer policy position papers, updates on issues affecting their membership, and media rooms and/or guides to experts.

CHAPTER 45.

COVERING BANKING: GOOD SOURCES ACROSS THE BEAT

Banking is a beat which demands you draw on sources locally, nationally and internationally. Here are some good ones to get you started:

GOOD SOURCES ON FAILURES

- KBW Inc., parent of investment banking firm Keefe, Bruyette & Woods Inc., puts out a weekly roundup-style research note with all of the M&A (mergers and acquisitions) and failure announcements in the news. To get onto this list, or to get a specific report when a bank in your area goes under, contact Ashley Bowles at abowles@intermarket.com (Intermarket Communications is an outside PR firm that handles media relations for KBW).
- Trepp Bank Navigator is another good resource on failures, with quantitative reports about banks that have failed, as they fail. Contact Eric Gerard at Great Ink Communications for information and reports, 212-741-2977 Eric@greatink.com

GENERAL SOURCES: WALL STREET

- The aforementioned KBW is a good source of research and commentary on banks. It also is the keeper of the KBW Bank Index, one of the most widely cited stock indexes for the industry. (Quotes for the index are available on various sites including Yahoo! Finance and Google Finance.)
- Sell-side analysts can be difficult to peg down for interviews; they're generally not terribly interested in speaking to local newspaper reporters, at least in my experience. But if there are banks in your area that you regularly cover, it's worth it, of course, to try to get on the research distribution lists for analysts that follow those institutions.All the major research houses – Bank of America Merrill Lynch, Citigroup, Deutsche Banc Securities, Goldman Sachs, Morgan Stanley, UBS, etc. – follow the sector. Reporters may have better luck with smaller securities firms in their regions.

GENERAL SOURCES: ACADEMIC RESOURCES

- Consult the experts guides of local universities for finance professors who might be able to

comment on banking issues in your area. Law schools also can be good resources, especially on regulatory matters.

Several schools have entire research centers devoted to bank and finance issues. Among them:

- Boston University's Morin Center is terrific on bank regulation issues.
- East Tennessee State University has the ETSU Center for Banking – http://www.etsu.edu/cbat/banking/

GENERAL SOURCES: OTHER

American Banker

For 175 years, American Banker has been the bible of the industry. The website, relaunched in July 2011 with a new design and a new emphasis on breaking news and commentary, has a wealth of information about all the major issues in the industry: M&A, risk management, regulation and the like. Unfortunately, you'll find that some of the pieces here are behind a pay-wall. However…

American Banker Magazine

Everything at AmericanBanker.com/Magazine is free to all readers! You won't find much breaking news here (this website is where stories from our monthly magazine are published) but there's lots of trend stories and analysis pieces that might help you get a sense of the kinds of conversations taking place in the industry.

Bank Lawyers Blog

Banking lawyer Kevin Funnell in Frisco, Texas, keeps this site as a personal blog with his own views on a variety of issues affecting the banking industry.

Consumer Financial Protection Bureau Blog

The new blog of the new Consumer Financial Protection Bureau: CFPB.

Bankstocks.com

Hedge fund operator Thomas Brown, a prominent Wall Street bank industry analyst in the 1990s, has teamed up with Commerce Bancorp founder Vernon Hill (a legend in the industry) to create a news and commentary site featuring their own views and those of outside contributors. Warning: both may have conflicts when writing about stocks in which they have positions or eventually take positions, etc. But they offer some interesting commentary on a variety of operational and regulatory issues facing banks.

Senseless Panic, by William Isaac

Former FDIC Chairman Bill Isaac wrote a book (and established a similarly named website) in the wake of the 2008 crisis that examines the crisis through the historical lens of someone who shut down

banks during the banking and S&L crises of the 1980s. Some of it gets political; those parts won't matter as much to you, as a metro daily reporter, as will his explanations of why it makes sense to treat bank creditors gingerly in failure situations.

CHAPTER 46.

COVERING BANKING: LOCALIZING THE BEAT

Find the lawyers. Just about every major law firm in town will have banking and finance experts who work with institutions on recapitalizations, mergers and acquisitions, regulatory issues and the like. Lawyers have a direct line to the bankers in your community, and although it's highly unlikely they'll break client confidentiality to help you, they do know the important issues affecting the institutions. They also can be knowledgeable on new regulations, and most likely they harbor strong opinions about the prospects for troubled banks in your region.

Likewise, consultants and accountants can be helpful sources. When I started on the banking beat, I asked a banking accountant to walk me through an income statement and a balance sheet so that I could familiarize myself with line items I hadn't encountered on previous beats. Chances are there is someone in your region who would be willing to do the same for you.

Talk to borrowers. Small businesses in your region know when it's harder to get credit. Their experience may indicate that a particular bank in town is in trouble, or that the economy overall is weakening. Maybe you cover other large companies based in your area. As a matter of your non-bank beat reporting, ask the CFOs and treasurers of those companies who they bank with; go to a Bloomberg terminal to find the lenders and terms of big loans made to those companies. Know which banks are key in your market.

Know your regulators. The federal regulators – the Fed, FDIC and OCC – have local offices in many regions. Get to know the people in those offices. State-chartered banks (as opposed to national-chartered banks) also are overseen by state banking regulators, and they can be valuable sources.

SPECIFIC EXAMPLES OF TERRIFIC STORIES

Expansion a goal of CertusBank, which took over Atlantic Southern

From the Macon Telegraph, here is a very thorough story about a local bank failure/takeover situation. You might not get as many column inches as this writer did, so look through it and think about what would matter most to you if you were a customer of the bank that failed, or a nonprofit in town that relied on the failed bank for sponsorships and support, or any other segment of your readership that might have questions about how things will work under the new ownership. Typical questions include: Why did the failed bank run into trouble? What's going to happen to the rate on my CD? What's going to happen to the local management team? What are the prospects for other banks in our area?

When Colonial Bank fell, BB&T swooped in, becoming Florida force

I came across the following piece in the St. Petersburg Times when I was doing some research for a story about banks making acquisitions in the U.S. South. This article provides a behind-the-scenes look at BB&T's takeover of the failed Colonial Bank, which went into FDIC receivership in 2009. This was a large deal, likely larger than most failures we'll see from this point on in the cycle, but it's instructive for anyone who wants to understand what goes into a failed-bank takeover, and how a bank that gets shut down on a Friday night can still open for business on Monday.

Banks Took $6B in Reinsurance Kickbacks, Investigators Say

For reporters interested in investigative work, the bank industry offers plenty to chew on. My American Banker colleague Jeff Horwitz obtained documents leading to a terrific piece about a previously undisclosed investigation by the Inspector General of the Department of Housing and Urban Development (since referred to the Department of Justice). Large U.S. banks are alleged to have taken $6 billion in kickbacks from mortgage insurers in the past decade.

CHAPTER 47.

COVERING BANKING: COVERING FAILURES

Banks are still failing at a fast clip, and though the bulk of the failures have been concentrated in a handful of states, like Georgia and Illinois, they can happen anywhere and at any time.

Scott Trubey, a banking reporter with the Atlanta Journal-Constitution, says he's handled the large quantities of Georgia bank failures by cultivating a network of sources that provide him not just with tips, but with analysis that helps him draw his own conclusions. For every bank on his beat, he tracks quarterly FDIC data – some of which is synthesized for him by a local research firm (many of the big securities firms do this kind of work in their analyst reports etc.) The data can lead to a story all by itself, if an interesting trend appears; or it can be used to monitor which banks are on the cusp of failure.

Knowing that it's a really bad sign for a bank to have a Texas ratio above 300 percent or a capital ratio of under 3 percent, and using the power of deductive reasoning, Scott knows which banks he should be preparing backgrounders for, so that in the event of failure, he's got information at the ready and doesn't have to scramble as much for story content.

When a failure occurs, you'll usually hear about it first in a press release. Failures of state-chartered banks often are announced by state banking regulators before the FDIC announcement appears, so be sure you're on the distribution list for releases from your state banking agency. The FDIC and OCC also have feeds you can sign up for or otherwise monitor. You also should monitor enforcement actions that any of the bank regulatory agencies announce against the banks they supervise; these can be signs of trouble. When regulators spot a problem, they will try to clear it up quietly and/or through an informal enforcement action, under a Memorandum of Understanding or MOU. Banks will disclose MOUs in their quarterly/annual SEC filings. If the MOU does not lead to a solution, a formal enforcement action is the next step, and if the bank still fails to do what's required of it (to raise capital, to address a soundness issue, etc.) then that's a bad sign for the future of the bank.

For more on covering bank failures, visit businessjournalism.org.

CHAPTER 48.

COVERING BANKING: TWITTER ACCOUNTS TO FOLLOW

We all know that social media is becoming a great place to follow sources. Here are some good Twitter accounts to follow. (And you can find more business writers and resources in the lists created by the Reynolds Center. **@BizJournalism lists.**)

TWITTER FEEDS

PhilAngelides (Phil Angelides)

Phil Angelides was chairman of the Financial Crisis Inquiry Commission.

Dallasmwells (Dallas Wells)

Dallas is a community banker and self-described finance nerd.

Neilbarofsky (Neil Barofsky)

Neil was the inspector general for TARP, the Troubled Asset Relief Program. He's currently a senior fellow/adjunct professor at NYU School of Law, and a contributing editor to Bloomberg Television.

Ckhurley (Cornelius Hurley)

Conelius is director of the Boston University Center for Finance, Law & Policy. He's a former assistant general counsel for the Board of Governors of the Federal Reserve System.

CheyHopkins (Cheyenne Hopkins)

Cheyenne is a former American Banker reporter in Washington. She now covers Treasury for Bloomberg News.

Carney (John Carney)

John runs NetNet, CNBC's blog on Wall Street culture.

LizMoyer (Liz Moyer)

Liz covers investment banks for Dow Jones/WSJ and previously covered Wall Street for Forbes.

CFPB (ConsumerFinance.gov)

The Consumer Financial Protection Bureau

Calculatedrisk (Bill McBride)

Bill is a full-time blogger, writing about finance and economics at **Calculated Risk blog**.

JoshRosner (Joshua Rosner)

Joshua is a managing director at Graham Fisher & Co. and is knowledgeable on the bank sector.

NickTimiraos (Nick Timiraos)

Nick covers the housing/mortgage markets for The Wall Street Journal.

Paulkiel (Paul Kiel)

Paul covers foreclosures, housing, etc. for ProPublica.

LizRappaport (Liz Rappaport)

Liz covers Goldman Sachs and other corners of Wall Street for The Wall Street Journal.
She notes that the opinions she expresses on this feed are hers, not her employer's.

PART XI.

COVERING MANUFACTURING

Despite what you've heard, American manufacturing is alive and well. Micheline Maynard, the Reynolds Center director and former Detroit bureau chief with *The New York Times*, breaks down the essentials. Originally published July 6, 2011.

CHAPTER 49.

HOW TO COVER MANUFACTURING: AN INTRODUCTION

Despite what you've heard about the decline of American manufacturing, one thing remains true: every city, large or small, has a factory.

Some places are so dominated by their manufacturers that they become company towns (think Koehler, Wis.; Holland, Mich.; and Kokomo, Ind.) In others, factories are simply part of the economic mix. You might not think of Chicago as a center of manufacturing, for example, but there are factories from the shores of Lake Michigan to the western outskirts.

Manufacturing is usually a beat that is covered by reporters on the business desk, but it can be part of beats on the metro desk, particularly if labor unions are involved.

If you work as a business reporter for any length of time, your editor will likely ask you to do a story that involves manufacturing in some way.

You might be asked to write up an earnings release for a company that produces a product. Or, your state might announce tax incentives to keep a plant in your community. There could be layoffs that anger the union representing workers at the factory. Or, the factory may close in your town, and you will be asked to write about its history.

Beyond simply dipping into the topic, you may be asked to take on manufacturing as your sole responsibility. Often, this happens when you're assigned to cover an industry that's important to your community, such as autos, steel or food products.

In that case, you will have to become an instant expert on manufacturing, and your stories will have to make sense to the people who work in the factory. You may have never built anything in your life, but now you have to understand a sometimes technical and mystifying language.

To be good at covering manufacturing, you need to have the big-picture and the small-picture view. Manufacturing is influenced by the macroeconomics, because broad economic measurements have a direct impact on companies that make products. For instance, the automobile industry closely tracks what happens with employment, consumer confidence and housing, since a car is the second-biggest purchase consumers make, behind a home.

Manufacturing reporters also will need to understand what is going on at the grass-roots level. They

need to have a feel for what customers are thinking and which way consumer trends are heading, so they can predict how their industries will fare in the wake of change.

Beyond that, the manufacturing beat requires an understanding of workplace issues. You might deal with a major union, or a local one. Your company may not be unionized, which makes the task of telling employees' side more difficult. Inside the factory, a manufacturing reporter needs to have a grasp of technology and the concepts used by engineers to design the products made there.

Manufacturing touches many parts of the economy, but reporting it does not have to be a daunting. In this primer on beat basics, we'll talk about the best ways to approach it, and ways to look for the knowledge you need.

CHAPTER 50.

COVERING MANUFACTURING: A CRASH COURSE

Manufacturing has a long, turbulent history in the United States. Factories provided millions of people with livelihoods that in the best situations allowed for a white-collar lifestyle in a job with blue-collar status.

But factories have never been glamorous. For most of the 20th century, factories were considered to be low-status places, with manufacturing executives, managers and workers ranking well below those at other companies in terms of prestige.

No more. Japanese, German, Korean and other car companies proved that manufacturing could be a well-regarded specialty, a way to earn respect from customers, and a smart training ground for anyone who wanted to rise within the hierarchy. Now, it's rare that a CEO or senior manager at an American company gets to the top without manufacturing experience.

What's the best way to learn about this complicated subject? Your crash course in manufacturing has these elements:

HISTORY

Learn everything you can about the history of the company you are covering, its union – if it has one – and the products that your company builds. The roots of a company often determine its corporate culture and its manufacturing processes, decades and even centuries after the company was started. Look for historians, books and documentaries about your subject. Ask your sources for recommendations.

STUDY MANUFACTURING CONCEPTS

Manufacturing is taught in business school classes under the heading of Operations Management (OM). If you have the time, enroll in at least one semester of an OM course.

If you don't, find a professor, and ask for a tutorial. At minimum, get the class syllabus, and do the readings for the class. Most OM classes are organized in the same way, usually by case studies of different companies and the problems that they have faced. In studying OM, you'll see how the field has progressed.

FIND THE REAL EXPERTS

Do a Web search for your company and see which experts are quoted the most frequently – then keep reading deeper into the search. As with any topic, the people who are quoted most frequently may not be the true experts. Many professors who are experts on your company are busy visiting its factories here and overseas and are selective about talking to reporters. But you will find a way to get them to talk to you. Other experts on a manufacturer are often people who used to work there. When you see a notice that an executive has retired, track him or her down and ask if you can pick his or her brain. The same with retired labor leaders. You also can check universities and institutes in your area for their list of experts.

CONFERENCES

The good news is that manufacturing experts love to attend conferences. The bad news is that those conferences can be so technical that only the experts can understand what's being said in those seminars. Conferences are great for source development and for presentations on concepts that people are talking about. Use them as a jumping-off point for further research on trends that are developing in your industry.

FACTORY TOURS

Whenever you're offered the opportunity to take a factory tour, GO. You may feel silly wearing safety glasses or steel-toed shoes or those funny suits that you have to don before you're allowed in a plant's "clean room." We all do. But you can learn something from every factory. Each has its own personality. Do not hesitate to ask questions. Manufacturing people love it when visitors take an interest in their field. Their language may be technical, but in manufacturing, knowledge is shared by teaching.

LEARN TO UNDERSTAND FACTORY LAYOUTS

All factories have things in common: inventory enters at one end, finished products leave at the other. But the interior of every factory is different. Have a public relations person or manufacturing expert show you a layout of the factory before you take a plant tour. If you have a working knowledge of the way the plant operates, you will be able to get more out of the tour once you're inside.

DEALING WITH UNIONS

It can be maddeningly difficult to cultivate sources inside a union. Some local leaders have been burned by what they feel are unfavorable stories. Often, the national office does not want leaders of individual locals to talk to reporters. Relationships are best built when you can find someone to introduce you. Union conventions offer great opportunities to develop sources that can pay off later. Go to the cocktail hours, and the receptions for the individual union locals from your area.

UNDERSTAND FACTORY HOURS

Manufacturing people often start early – 6 a.m. is a common starting time for an automobile plant. Likewise, the night shift generally comes in around 2:30 p.m to 3 p.m. If you're offered an interview in the hours just after dawn, do not complain about the time. Just make a joke about "factory hours." Additionally, if you want to catch workers from the day shift as they are leaving a plant, get to a factory around 2 p.m.

CHAPTER 51.

COVERING MANUFACTURING: THINGS THAT CAN GO WRONG

Products break. Inventory arrives late. And a reporter runs into trouble on a manufacturing story.

Those things happen all the time. Be aware of the pitfalls.

I DIDN'T DO MY HOMEWORK

As you've read in our primer on beat basics, manufacturing is a complicated subject with its own language. Sometimes, you simply don't comprehend it. You failed to read up on a company and its products before you went to the interview and took the plant tour. Now, your notes and recordings seem like gibberish. To avoid this, you must do your homework before every interview and plant visit. If you don't understand something, stop and get it clarified in simple words. Should worse come to worse, call the PR person and ask for a re-interview on specific topics. But remember that re-touring a plant is a fairly major undertaking. Make the most of your first visit.

MY SOURCE WAS OUT OF THE LOOP

It can be exciting to hear what you think is the inside story. Maybe you got some advance information from a local parts supplier who does some business with the company, but not from the company itself. Or, your local union leader heard something from a guy who knows a guy on the bargaining committee. Try for first-hand sources whenever possible.

Manufacturing is a beat where the inner circle may not speak to you, and you have to rely on outlying sources. When in doubt, err on the side of caution.

I FOLLOWED THE PACK

Veteran manufacturing reporters have seen this happen time and time again. A news service quotes a source saying a local plant will close. A newspaper reports that a big company is planning to pull up stakes and move its headquarters. You jump on the story because your editor insists you match it, even though you don't have a first-hand source. If you don't have it nailed down, resist. The story you don't do often says more about your news organization than the one you do.

THERE'S NO UNION, AND NO ONE WILL TALK TO ME

At plants where the hourly workforce is represented by a union, the task of finding people to interview is much easier than a plant without a union. That doesn't mean you give up. Search Facebook for people in your area that have the company in their profiles. Look on Twitter and LinkedIn. And then

try the old-fashioned way: ask your friends and professional contacts whom they know. Go to the bar near the plant, or the Starbucks across the street. Have plenty of business cards always handy.

I TOOK SIDES

When a company is the major employer in your town, there can be pressure from editors, publishers and other bosses to write favorable stories about it. Or, your parents were involved in a union, and you can see things from only the union point of view. Especially when writing manufacturing stories, resist siding with one point of view over another. Stories that appear to be too pro-company can alienate workers and suppliers. Those that come out as pro-union can prompt management to refuse your interview requests. Stay neutral.

CHAPTER 52.

COVERING MANUFACTURING: 10 TERMS TO KNOW

Manufacturing is the end result of many other decisions, from the first sketch of a new product to the initial marketing study by those tasked with selling it. Then come hours of engineering, and finally, the development of the factory processes required to make the concept a reality.

The blessing for anyone who understands manufacturing is that the basic way that things are made has not changed since the beginning of the industrial age.

But the techniques used inside factories have changed significantly, while the Web has sped the way consumers learn about and react to the products that come off the assembly line.

As you learn about manufacturing, remember that it is a global business. The market for vehicles in China affects decisions made in Detroit. The ability of a plant in Vietnam to make the hottest fashions has an impact on designers in New York. Mexican production flow will determine whether a supermarket shelf in Chicago's Little Village is stocked with Coca-Cola.

That might seem complicated, but it means that the concepts you learn will be applicable wherever you find a factory.

HERE ARE 10 BASIC TERMS YOU NEED IN YOUR MANUFACTURING VOCABULARY:

Inventory

Essentially, this means supply. Inventory is the simplest measurement of what goes into a factory, and what comes out of it. Companies have inventories of components and materials that go into their products, and accumulate inventories of finished goods to ship to their dealers or vendors. In turn, these dealers and customers measure the goods they have on hand as inventory.

Productivity

This is a measure of output. Think of it as the batting average for a factory. Productivity reflects how much time it takes to produce a product, often divided by how many workers are involved. In modern manufacturing, high productivity generally means producing the most goods possible with the lowest number of workers possible. But manufacturers also measure productivity in terms of the output per worker. Companies also look at the productivity of their machinery, which reflects a number of things, such as the design of the machines, the way they are programmed and how well they are maintained.

How to cover manufacturing: **Photos**

Capacity utilization

The percentage of time a factory is in operation. This is generally measured on a five-day week, with two eight-hour shifts of workers. This is called "straight time." The time on top of this that the factory operates is called overtime. Minimally, a factory needs to be in operation at least 75 percent of the time, to cover the costs of inventory, maintenance, salaries and distribution. The best factories run at 100 percent of "straight-time" capacity. A capacity-utilization number above 100 percent reflects overtime.

Bottleneck

Problems that prevent a factory from running smoothly. Bottlenecks are sometimes physical obstacles on the assembly line. But they also can be slow deliveries or shortages of parts. Bottlenecks can take place because some workers are not properly trained and require more time to complete their tasks on the assembly line. Bottlenecks also can take place when machinery breaks down and needs to be repaired. Weather can cause a bottleneck in deliveries, particularly in the winter.

Andon cord

A cord, like a clothesline, that hangs above the assembly line. One pull on the andon (pronounced ANN-don) slows the assembly line; a second pull generally stops the line. This concept was popularized by Japanese automakers, who gave their employees the authority to slow or stop the line when a problem occurs. Nowadays, the line is rarely stopped except for an emergency. Generally, a tug on the cord will summon a supervisor, who will bring in other workers if needed to solve a problem.

Just in Time (JIT)

An inventory system that keeps only the number of parts required to complete production on one shift or one day. The JIT system, also popularized in Japan, has its roots in American supermarkets. It is modeled after the "stock-from-behind" system used in dairy cases. As a customer removes one carton of milk, a new carton is pushed to the front.

Kaizen

A Japanese term that means "continuous improvement." Kaizen (KYE-zen) is an effort to do things faster and more efficiently. On the factory floor, workers in Japanese factories are encouraged to provide feedback and suggestions, often taking time at the end of their shifts to brainstorm ideas. To "kaizen" a problem means to dissect it and come up with solutions. Kaizen also is used in a white-collar environment, to speed up product development.

The 5 S's

A visual measurement of the efficiency of a factory. The 5 S's are sort, straighten, sweep, standardize and sustain. The list describes the ways to keep order on the assembly-line floor. Sorting means to categorize tools and keep only those required near a workstation. Straightening is the way those tools are arranged, and returned after use. Sweep is to keep a clean work area. Standardize means to have

common methods for performing work. Sustain describes the practice of performing the 5 S's. The best factory experts say they can take a look around a factory and tell how well the 5 S's are being applied.

Automation

Machinery that does work that used to be performed manually. In its most common usage, automation means robots. In many cases, robots have replaced labor-intensive, difficult processes, such as welding pieces of metal together, but they also have taken the place of workers whose job it was to move parts down the assembly line. In German factories, such as Mercedes-Benz' plant near Stuttgart, you will see robots picking up material and moving it across the factory floor. Automation also has taken over many tasks in food processing, such as filling containers and stamping out cookies, and is often used in packaging the finished products.

Product testing

The testing of products before they are manufactured, or shipped to consumers. For white goods, such as refrigerators, dishwashers and washing machines, and for large products such as automobiles, product testing is often performed at the end of the assembly line. Many cars go through a water test inside the factory to make sure they are air tight. Product testing also takes place before goods are put into production. Engines, transmissions and other components often undergo hours of product testing to measure their durability.

CHAPTER 53.

COVERING MANUFACTURING: RESOURCES

American manufacturing is alive and if not well, at least an important part of the economy. Although political leaders from President Obama to Mitt Romney have made the revival of manufacturing into a campaign issue, the nation's manufacturing base is still intact.

While plant closings have been in the headlines for decades, manufacturing has not disappeared. Far from it. Every state has manufacturing sectors, and about one in 10 Americans still work in factories and in producing products.
Manufacturing is a data-rich field, and there is a wide variety of places to go for information on everything from cars to airplanes to textiles and petroleum-based goods, as well as the people involved in manufacturing.

THE BIG PICTURE

One good place to start is the U.S. Census Bureau's Annual Survey of Manufactures (ASM). It provides estimates of statistics for all manufacturing establishments with one or more paid employees. One of the most useful parts of the ASM is the breakdown of manufacturing by geographic area. The data is current through 2009, and will be updated as the 2010 Census figures are analyzed.

The Labor Department's Bureau of Labor Statistics is the principal source for all manner of statistics about employment and labor unions. Although the focus most recently has been on unemployment levels, the bureau also is a good source for finding information about payrolls and union membership. Labor unions are required to file an annual report with the government stating their membership and financial resources.

You can sign up for emails from BLS that will send you the latest statistics on a variety of subjects.

The 12 regional banks of the Federal Reserve Board publish monthly statistics on manufacturing. For example, the Chicago Fed publishes the Midwest Manufacturing Index, which tracks 15 different measurements of manufacturing in seven Midwestern states. You can sign up for emails from the banks, as well.

The National Association of Manufacturers, a trade group, publishes monthly state-by-state data measuring manufacturing jobs and output. While NAM is understandably pro-manufacturing, it's worth checking out the data on its site.

ZEROING IN ON AN INDUSTRY

Every major manufacturing sector has a lobbying group in Washington that publishes its share of statistics. You can find much of the information you need online, and the associations often have chief economists who can walk you through industry-related issues and do statistical research for you. The associations often hold conference calls when their industries are in the news.

Some major ones include:

Air Transport Association – representing the nation's airlines

Alliance of Automobile Manufacturers – represents Detroit automakers and many foreign producers in the U.S.

American Iron and Steel Institute – the steel industry's trade group

American Textile Manufacturers Institute – textile manufacturers and retailers

International Association of Oil and Gas Producers – a London-based group representing energy producers

Along with the official spokespersons for an industry, independent analysts can be extremely helpful in providing data and information. Companies whose shares are traded on Wall Street are often followed by investment analysts. They publish regular reports, often sent by email, which provide investors with updates about the companies that the analysts follow. Once you find an analyst whose work you respect, you can ask him or her to add you to his or her mailing list.

Credit-ratings agencies such as Standard & Poor's and Moody's Investor Services have analysts who follow manufacturing. These analysts focus primarily on the credit-worthiness of the manufacturing companies, and they sometimes speak in more technical terms. But they often are able to spot the first problems that occur, and their reports tend to be more blunt than those from investment analysts.

MORE TIPS ON FINDING INFORMATION

Trade publications are enormously useful as sources for data about manufacturing. Every automobile reporter reads Automobile News, while airline industry reporters read Aviation Daily. Trade publications can be expensive, and editors may balk at paying for them. However, the trade publications often provide free access to their websites a few times a year. It's an opportune time to go in and familiarize yourself with their sites. Also, some trades are willing to offer free website access to journalists, especially those that quote them. It never hurts to ask.

Finally, individual companies have their own internal data on production and sales and are often willing to share them with reporters. For years, Ford Motor Co. has provided regular research reports that are circulated among senior executives and often with the media. The reports generally serve two purposes: to cast the company in a good light, and to show that the company is aware of industry trends. But the data can be informative. Use care in quoting these statistics, and always source them to the company that provides them.

RECENT STORIES

In 2011, there have been stories that the country is experiencing a manufacturing renaissance. President Obama has declared that the auto-industry bail-out was a success, since General Motors and Chrysler have now repaid all or part of the government loans that they were required to repay, and are posting quarterly profits.

But journalists who cover manufacturing must dig deeper than the platitudes. One reason for an uptick in manufacturing has been a growth in exports. In other words, customers overseas are demanding more U.S.-made products, overshadowing continued sluggish demand at home.

Moreover, journalists must view a rebound in context. Manufacturing employment is lagging, in part because of greater productivity. Companies do not need to hire as many workers because they have become more efficient, and many are searching for highly skilled workers, not those with a high school degree or less.

You can access more story ideas from recent posts about manufacturing on BusinessJournalism.org.

But it is clear, as Harvard Professors Gary Pisano and Willy Shih argue, that manufacturing will continue to matter to the American economy. You can read an interview in which they lay out their case.

JOURNALISTS, CONSULTANT

Some of the best covering manufacturing topics include:

- Nick Bunkley of The New York Times Detroit bureau (**@nickbunkley** on Twitter)
- David Shepardson, the Washington bureau chief for The Detroit News (**@davidshepardson**)
- Benet J. Wilson, the business aviation reporter for Aviation Week (**@benetwilson**)
- Scott Hamilton, an aviation consultant, writes regularly about Airbus and Boeing (**@leehamnews**)

BOOKS

- "**The Machine That Changed The World,**" by James T. Womack, Daniel Jones and Daniel Roos. It coined the term "lean manufacturing."
- "**The Toyota Way,**" by Jeffrey Liker, distilled Toyota's manufacturing concepts for a general audience.
- "**My Life and Work,**" by Henry Ford, is considered must reading for everyone in manufacturing, from makers of cars to kitchen appliances.

PART XII.

PERSONAL FINANCE BEAT

Covering personal finance is part journalism and part counseling. Pamela Yip, reporter and columnist for the *Dallas Morning News*, is here to make sure you don't go into it unarmed. Originally published August 3, 2011.

CHAPTER 54.

COVERING PERSONAL FINANCE: AN INTRODUCTION

Covering personal finance is part journalism and part counseling.

No event has brought this home more to me than the economic hurricane we've experienced.

The biggest financial crisis since the Great Depression was a rude awakening for consumers. Many lost jobs, found themselves underwater in their mortgages, deep in credit card debt and with few, if any, emergency savings to get them through the crisis.

Two years after the economists declared the recession ended, many consumers feel that the recovery has passed them by. Millions are still unemployed and the average worker's hourly wages, after accounting for inflation, has fallen.

Making that worse were rising gasoline and food prices, which ate up any pay raises for most Americans.

Many fortunate enough to find a job discover that they're not making as much as they did. The jobs that are being created pay less than the ones that vanished in the recession.

In this climate, readers are turning to personal finance reporters for help in sorting out their financial lives.

PERSONAL FINANCE THEMES

Personal finance spans a range of topics from:

- investing,
- tax planning,
- credit cards,
- student loans, to
- retirement planning.

EDUCATING YOURSELF

One of the best ways to get a firm foundation in personal finance is to take courses in personal financial planning at a local university that offers the certificate program in financial planning. This is the

same required coursework for those seeking to obtain the well-respected Certified Financial Planner certification.

The intense program covers fundamentals of financial planning, insurance, investments, retirement, tax and estate planning.

It took me two years to finish the program at the University of Houston, but it was one of the best training I've undergone and continues to serve me well in my career.

JARGON-SLASHING

The knowledge will give you a firm foundation on which to talk to financial and investment professionals when you do a personal finance story. You will understand the lingo and concepts and be able to translate those into plain language for your readers.

The key in good personal finance writing is always writing for the reader. You will run across many financial professionals who will speak in industry jargon, but make them translate that into concepts you can understand. If you don't understand what they're saying, ask and ask again until it's clear to you.

It's the job of reporters who cover personal finance to cut through the industry-speak and make the subject less intimidating.

NOT AN ADVISER

What personal finance reporting isn't is promoting every new product or service, or being readers' personal financial adviser. You will find that some readers will send you intimate details of their personal finances and expect you to give them the definitive answer as to what they should do with their money and how they should invest.

It takes thorough examination of a person's life before they can receive the right financial advice for them. Giving financial advice isn't just looking at the numbers. It really should first look at a person's life goals so an adviser can create a financial plan that will lead to those goals.

That's beyond the scope of what personal finance reporters can do.

Of course, there are obvious questions you can answer: What's a credit score, how do I obtain my credit report?

But beyond that, the best way to answer a reader's question for detailed financial advice is to point out some of the factors they might want to consider and then suggest that they seek out an adviser.

The same thing applies to readers who seek investment and income-tax advice.

TAXING ISSUES

The financial markets are volatile and hard to predict. The one sure thing is that there's no such thing as high returns without any risk. Help readers maintain a proper, realistic perspective about investment returns and talk them down from the ledge before they throw their money at an investment that promises them double-digit returns when markets are returning a more sober, realistic rate.

Income tax is one of the most complicated subjects you will ever cover. Consider how thick the Internal Revenue Code is and how many times Congress has tried to simplify it and end up making it more confusing.

It's best to leave individual tax-planning to tax advisers, but that doesn't mean you can't write stories about how tax changes will affect your readers.

Read your competition and study how they approach stories and find fresh angles. I read The Wall Street Journal, The New York Times, SmartMoney, Money Magazine and Kiplinger's Personal Finance Magazine.

FINDING NEW ANGLES

One of the biggest challenges in personal finance reporting is putting a new spin on topics that you will cover over and over again. Many times, breaking news will help with that, but most of the times, you have to be creative and look beyond what everyone else is writing.

Finally, remember that personal finance affects everyone. When you ask questions, think about what your readers will want to know. Always keeping that in mind will help you serve your readers well.

CHAPTER 55.

COVERING PERSONAL FINANCE: FINDING TRUE LOCAL ANGLES, INTERESTS

One of the best things about covering personal finance is that everyone can relate to the subject and will always have their ideas and opinions.

Your job is to separate the really good, legitimate ones from the wacko ones.

National stories abound about personal finance, but your job is to write about topics that your readers care about.

Here's how:

FIND LOCAL ANGLES IN NATIONAL STORIES

Almost any national story will have a local impact. The most recent example is the one swirling around the federal debt ceiling.

President Obama's warning that a failure to increase the debt limit could delay Social Security checks triggered immediate anxiety among seniors. Our newspaper interviewed local seniors and wrote a story about their worries.

This story could have been done in any community, so when you see a national wire story, ask whether the topic affects anyone where you live.

INTERACT WITH READERS

They are your best sources for stories. The responses you get to stories may hold the kernel for a great follow-up. When they ask you to write about something, take their concerns seriously and consider whether their idea has news value.

GET OUT OF THE OFFICE

There's no substitute for meeting a person face to face. Let them get to know and trust you. If it's a local PR person, tell them what you're looking for in a story and build a working relationship so you'll be the first person they think of when they have a big story.

Their pitch may not always result in a story, but they may know people in your community who could help you chase down a lead.

Visit local investment clubs and meetings at churches that center around investment and money management. Many churches have programs that teach members how to manage their money according to biblical principles.

MEET FINANCIAL PEOPLE IN YOUR COMMUNITY

They can tell you what trends they're seeing among their clients and what they're worried about. Building a relationship with financial planners, brokers and financial planners will also help you land that all-important real person on deadline. Once they know you do quality work and are trustworthy, they can convince their client that it's OK to talk to you.

ACCEPT SPEAKING ENGAGEMENTS

This is a great way to find good personal finance stories because someone will talk to you afterwards and tell you something about their finances or that of someone they know, and you could have a good story.

MEET WITH ATTORNEYS WHO SPECIALIZE IN REPRESENTING CONSUMERS / INVESTORS

They can give you a heads up on cases that would make good stories.

KNOW THE CONSUMER "COPS" IN YOUR COMMUNITY

Is there someone in your police department or district attorney's office who specializes in consumer cases, such as identity theft?

Also, meet the regulators in your state who regulate investments and key people in the state attorney general's consumer affairs office.

Get to know your local Better Business Bureau.

CHAPTER 56.

PERSONAL FINANCE: A FEW OF THE CHALLENGES

Personal finance reporting covers such a broad range of subjects that the challenges are many and varied.

Here's a list of them, as well as the most common errors:

MAKING THE SAME TOPICS INTERESTING AND RELEVANT

We will always be writing about saving, investing, credit cards, income, budgeting, student loans and other things that affect the finances of our readers.

The challenge is to find fresh angles that readers don't know about. Sometimes the news of the day helps you with a hook, but most of the time, it takes enterprise and detective work. For example, read the envelope stuffers that credit card companies send card holders. You'd be surprised the hidden stories you'd find just by slogging through the language.

RELYING TOO MUCH ON THE SAME SOURCES

We all have sources that we've worked with for a long time who are dependable and knowledgeable and can be counted on for great quotes. But be careful not to fall into a comfort zone.

This is something all good reporters know, but it's always worth repeating. Check your math. Readers will run their calculators and will quickly point out that you were off a decimal point. Always verify a technical fact that a reader tells you. They may be correct, but you don't want to discover that they were wrong after you've reported what they've said as fact.

VERIFY, VERIFY, VERIFY

Broaden your Rolodex so you have a wide range of opinions and expertise.

CHOOSE "REAL PEOPLE" CAREFULLY

Real people are the lifeblood of personal finance stories. They help us put a human face on the sometimes abstract topics we write about. We are often scrambling on deadline to find real people.

But choose them wisely. Make sure they don't have hidden agendas.

I wrote a story on bartering and found a real person who engaged in it. We had a photo scheduled to be taken of my real person and the merchant with whom he bartered for goods.

The day before the photo shoot, I called the real person to verify the appointment and he suddenly became reluctant to have his picture taken.

It turned out that he didn't want the IRS to see his picture in the newspaper because he hadn't reported on his tax return the fair market value of the products he received in the bartering.

Needless to say, I yanked him out of my piece.

THROWING A BUNCH OF NUMBERS INTO YOUR STORY

Then look at whether those numbers have been rising or fluctuating over the long term. That will help you detect trends.

You will lose your reader with numbers and statistics that you don't explain in context. Only include the numbers that are relevant to your story.

When it comes down to it, no one can accurately predict the direction of interest rates and financial markets. Be skeptical of the "expert" who claims he or she has found the financial equivalent of the Fountain of Youth.

BE SKEPTICAL OF SO-CALLED EXPERTS: THE STOCK MARKET IS MORE THAN JUST THE DOW

Technology has brought global markets closer together and made it possible for a wealth of investment information and services to be at investors' fingertips. Some are legitimate and others aren't.

Don't get caught up in the hype. Look at historical trends of the global markets and help readers keep a proper perspective.

Teach them that successful investing isn't about getting in on the next hot stock tip, but it's about consistently putting your money into a well-diversified portfolio and allowing time to build on that.

CHAPTER 57.

PERSONAL FINANCE: GLOSSARY OF TERMS, CONCEPTS

Personal finance covers the gamut from credit cards and investments to student loans and insurance. It's important that you have a good understanding of the basic terms and concepts so you can cut through the jargon.

TERMS YOU SHOULD KNOW

Adjusted Gross Income

AGI is a measure of income used to determine your taxable income. It's calculated as your gross income minus deductions, such as unreimbursed business expenses, medical expenses and deductible retirement plan contributions.

Annual Percentage Rate or APR

This tells you the annual cost of a loan and is stated as a percentage. The APR consists of the base interest rate and loan fees and costs. With credit cards, the APR is charged on credit card balances each month that there's an outstanding balance.

Annuity

An annuity is a contract between you and an insurance company that's designed to meet retirement and other long-range goals. You make a lump-sum payment or series of payments to the insurance company. In return, the insurer agrees to make periodic payments to you beginning immediately or at some future date.

In a fixed annuity, the insurance company pays you a specified rate of interest during the time that your account is growing. The insurance company also agrees that the periodic payments will be a specified amount per dollar in your account. These periodic payments may last for a definite period, such as 20 years, or an indefinite period, such as your lifetime or the lifetime of you and your spouse.

In a variable annuity, you typically invest your purchase payments in mutual funds. The rate of return and the amount the insurance company pays you will vary depending on the performance of the investment options you've selected.

Asset allocation

Asset allocation is determining how to divvy up your money among various investments, such as stocks, bonds or cash.

Once you determine what asset classes you want in your investment portfolio, you then determine how to mix those in the right proportions so you can reach your investment goals at the level of risk you're comfortable with.

Bond prices and interest rates

Bonds are highly sensitive to interest rates, so bond prices move inversely to interest rates. This means that when interest rates rise, bond prices fall. Conversely, when rates fall, bond prices rise. Many readers don't understand this concept, so it's important that you are able to explain it to them.

When interest rates rise, it depresses the prices of previously issued bonds because their interest rates are fixed. So if you have a bond that's paying 6 percent interest and market rates rise to 8 percent, the only way you could sell your bond is to lower its price.

However, if rates fall to 3 percent, your bond that's paying 6 percent interest will be more valuable to investors and you could sell that bond at a premium over its face value because the 6 percent rate would be higher than the market rate.

All this doesn't affect investors who hold a bond until it matures because the value of the bond doesn't change because interest rates fluctuate. They will get the full principal back at maturity. However, those who buy and sell bonds have to pay close attention to interest rates.

Capital gain

The profit you get from selling a stock over your original purchase price.

Capital loss

The loss you incur from selling a stock from your original purchase price.

Cost basis

The basis is the purchase price of an investment, including commissions and other expenses. The basis is also adjusted for stock splits, dividends and return of capital distributions. The basis is a critical figure because it's used to determine capital gains and losses for income tax.

Credit bureau: Also called a "credit reporting agency," a credit bureau is a company that collects and sells information about a person's creditworthiness. The three major credit bureaus are Experian, TransUnion and Equifax.

Credit report

Issued by a credit bureau, a credit report contains information on a person's payment history, bankruptcies, loans and recent inquiries to obtain credit. By federal law, consumers are entitled to one free

credit report once every 12 months from each of the three credit bureaus. Consumers can get their free credit report by going to www.annualcreditreport.com.

Credit score

A credit score is a three-digit number that's designed to predict the likelihood of your repaying a loan. The score is based on a snapshot of your credit report at a particular point in time. The most widely used scores are FICO scores. Lenders can buy FICO scores from all three major credit bureaus.

Diversification

This reduces the risk in your investment portfolio by including a variety of investments, such as U.S. stocks and stocks from other countries, as well as bonds and cash. The rationale behind this technique is that different types of investments will pose a lower risk than any one investment that you hold. Diversification differs from asset allocation in that in asset allocation, you decide what percentage of your money you want to go to stocks, bonds and cash.

Dividend

This is income that a company pays its shareholders and is distributed from a portion of the company's earnings. It's typically quoted as a dollar amount per share.

Price/earnings ratio

Also known as the P/E ratio, it's a stock's current price divided by the earnings per share. It's a widely used tool of stock analysis and gives you an idea of how expensive or cheap a stock is.

Rebalancing

Adjusting your investment portfolio to bring it back to your original asset allocation mix. Movements in the stock market can throw your asset allocation out of kilter. For example, if you originally wanted 50 percent stocks and 50 percent bonds in your portfolio, strong performance of your stocks can lift the stock portion of your portfolio to 70 percent. So in order to bring that portion back to 50 percent, you "rebalance" by selling some of your stocks and buying bonds to bring the allocation back to 50/50.

Risk tolerance

An investor's ability to tolerate declines in the value of his or her investment portfolio.

Tax Deduction

An expense that's subtracted from your adjusted gross income and reduces your taxable income. An example is the home mortgage interest deduction. A deduction differs from a tax credit, which is a direct dollar-for-dollar reduction of your tax liability. Examples are the child tax credit and Earned Income Tax Credit.

Term life insurance

Term life insurance pays off only if the policyholder dies within a specified time period or "term." This differs from "whole life insurance," which provides coverage for your whole life instead of a specified term. A whole life policy also has a savings component called cash value, which builds over time.

Time horizon

The length of time you expect to invest your money before you cash out.

Trust

A legal vehicle you set up in estate planning that enables you to transfer legal title to an asset to another party, the trustee, who has the duty to hold and manage the asset for the benefit of a beneficiary or beneficiaries. You can use a trust to pass assets to your children, disabled adults, heirs who aren't good at managing money and any others you believe lack management skills and judgment.

WHAT (AND WHO) IS A FINANCIAL ADVISER

And speaking of trust, Most average investors don't know the difference among financial advisers. They have enough trouble distinguishing among the alphabet soup of professional designations that advisers put on their business cards.

Investors' main concern is that when they hire a professional to advise them on their finances, they want to be confident that that person has their best interest in mind.

Most people think there's no difference between a stockbroker and an investment adviser. While they may use those two terms interchangeably, they are not the same thing.

Brokers and investment advisers are regulated by different standards under federal law when providing investment advice.

Because the average investor doesn't know the difference, he or she may enter into a business relationship with the wrong assumptions.

Stockbrokers are financial professionals who buy and sell securities on behalf of clients. They're also known as financial consultants, financial advisers and investment consultants.

Stockbrokers are governed by the "suitability rule," which means they're required to recommend investments that are suitable for you based on their knowledge of your financial situation and needs.

Investment advisers, on the other hand, are required to exercise "fiduciary responsibility," which means they have to put your interests ahead of theirs at all times when providing advice and recommendations.

The term "investment adviser" describes a broad range of people who give advice about securities, such as stocks, bonds, mutual funds and annuities. Investment advisers also may go by the titles of investment manager, investment counsel, asset manager, wealth manager or portfolio manager.

Most investment advisers charge a fee based on a percentage of the assets in your account. Typically the larger your account, the lower the percentage.

Stockbrokers are typically paid through commissions paid each time the broker buys or sells a security for a client.

Since many investors don't know the difference between investment advisers and brokers, they assume that all financial advisers are always required to put an investor's best interest first.

Most brokers do have their client's best interest at heart when making investment recommendations, but they're not required to meet this standard.

Consumer advocates, financial planners and brokerage industry representatives have said the fiduciary standard should apply to both investment advisers and brokers.

The Dodd-Frank financial-regulatory reform law directed the Securities and Exchange Commission to conduct a study of the effectiveness of current standards for brokers and investment advisers, and whether there are gaps, shortcomings or overlaps in the current regulations.

A SEC study has recommended one fiduciary standard for brokers and investment advisers.

PART XIII.

COVERING REAL ESTATE

Everybody needs a roof over their head – even local businesses. Jonathan Lansner, a veteran reporter at *The Orange County Register*, details how to cover the story of real estate locally and nationally. Originally published May 16, 2012.

CHAPTER 58.

COVERING REAL ESTATE: AN INTRODUCTION

Dear Reporter:

Congratulations on your new assignment. You've been assigned to a coverage area that can potentially touch everyone in your organization's audience.

Real estate is often pigeon-holed in many news organizations as a niche beat. Depending on your news organization's needs and desires, there's great potential for real estate to be a newsroom leader in many markets. Face it, everybody needs a roof over their head – even local businesses. It's your job to tell great tales of how the market for those roofs is evolving.

Don't be afraid of the challenge. Rather, view "roofs" as a grand opportunity.

As a starting point, let's look at the key constituencies you will likely serve and/or interact with to get the information you need to succeed. It's an eclectic group – with changing opinions and tastes – so be prepared to have an ever-evolving database of sources.

This is also a beat where many sources create many reports tracking many of the intricacies of real-estate life. Yes, you better bone up on your math skills. But it also means there's often a number to prove – or disprove – a given thesis. One of your goal is to make sure there's a LOCAL number, too.

Let's get busy.

HOMEOWNERS AND WANNABE HOMEOWNERS

It's the American dream, but it's awfully expensive. This prime audience relishes everything from market trends to news about property taxes to trends in home design and home repair to basic information about the process of buying and selling and how it may be changing. Don't forget things like insurance and/or what the impact of new highways, flight patterns or shopping centers mean to local-home values. Yes, you find this audience can be myopic, often willing to tell you how your latest story doesn't apply to your neighborhood. And sometimes they're are actually correct. Treat them well, they will return the favor.

RENTERS

Not everyone owns, as roughly 40 percent of all American households are living in rental properties. Too much coverage ignores that. For example, falling home prices are often portrayed as bad. Well,

don't forget renters might want to buy at those "discounted" prices. Coverage opportunity with renters lies in the fact that rents and rent changes can vary widely by market. Yet it's not easy to follow at the consumer level. Becoming an expert on how your rental market is moving can be vital information for renters looking for bargains. This group always needs fresh market trends. Remember, renters typically renew leases annually – and this demographic tends to move more frequently than homeowners.

REAL ESTATE AGENTS AND THEIR BROKERAGES

You can't hide from the fact that the residential real-estate business is likely a major advertiser with your publication. If you didn't know that, real estate agents will remind you – and think all your coverage should be "today is a great day to buy" positive. Once you can get past the natural friction, agents and brokerages can be great sources because they are in the trenches. You need them to know what's going on the market. So fight the urge to scream and meet them on their turf – at their meetings and trade shows. Learn how they think and their quirky language. Eventually you'll find real estate agents in your community willing to share truly valuable information. And it's not because they're looking to get their name out there. Rather, because they think a well-informed consumer is good for their business.

Start with lenders and people who handle transactions. This group can be subdivided into three categories:

- Employees of big banks and major lenders. They tend to work through traditional corporate methodology, so that means talking through public relations departments. Not that this information isn't perfectly acceptable, it isn't going to make a lot of exciting copy.
- Mortgage brokers: These are individuals and small entities helping consumers get home loans using various sources of funding. That breadth of view – and a willingness to talk frank to with good insight – offers opportunity to learn what's going on the lender side as well as the borrower side.
- Professionals who help real-estate transactions get completed: In the private sector, jobs from real-estate attorneys and escrow agents to title company officials can get you interesting information about activity levels and deals in the works. Same can be said for government officials handling real estate bureaucracy, who also can keep you up-to-date about a key hot topic: property taxes.

CONSTRUCTION

New homes may be a small slice of real estate, but it's also one of the most intriguing. Homebuilders are in the business of selling homes. That's somewhat different than a homeowner who's trying to sell their own home. To succeed, builders have to be in touch with what consumers need and at what price. So often, new homes contain a good idea of what buyers' wishes are — or at least what things people are willing to pay for. Plus, builders either directly or indirectly are big employers. Construction crews create from homes to streets to landscaping – plus all those new homes require suppliers concrete trucks, lumber yards, etc. Meet workers at ground level and it's amazing how much you learn about the state of the real-estate economy.

BIG PROPERTY OWNERS

Commercial real estate stretches from apartments to office towers to shopping malls to factories, warehouses and self storage yards. Don't be overwhelmed by the sheer scope of this niche. In many communities, commercial real estate brokerages handle many aspects of the business, buying, selling and leasing different types of properties. Obviously, the apartment niche has broad appeal, but don't forget that office towers and shopping malls can make for great copy. Success or failure of office towers and shopping malls serves as an indicator of how your local economy is progressing. The companies and brands renting space – or leaving it — in local business parks and retail centers can broaden our audience as you report about evolving employment or shopping options.

GURUS

There's really no such thing as a truly independent expert. Still, we'll look at outside observers of real-estate markets in three distinct categories.

Academia: Good bet there's a local university or college where professors track your local economy and its real estate. Their reports and commentary can be long-winded or esoteric, but the analysis is often based on long-term trends and forecasts.

Consultants: The real estate industry hires many outsiders to acquire fresh viewpoints. And these people like to get their names in the media. One edge consultants can have over academics is their constant contact with real estate industry insiders. One caveat to their comments: Remember who pays them.

Data crunchers: Real estate transaction creates oodles of paper trails – and numerous companies mining that data for analysis. To build their brands, these number crunchers frequently distribute the info for free – often along with analysis to help you interpret the trends. Frequently, this private data is better than government or industry-sponsored reports. Occasionally, the measures involved can be confusing.

SERENDIPITY

Not an audience or a source. Rather, a state of mind. Be prepared for the surprise. A star athlete or famous Hollywood type buying a home in your market – or losing one through foreclosure. A historic local home coming onto the market. A quirky design for a new home or an over-the-top remodeling job. A local apartment complex offering a dog washing spot.

Yes, real estate is important. Yes, these are serious times in the real estate industry. But it's okay to have fun with real-estate story. Telling fun tales is a change of pace will serve your readers well. And may keep you sane.

CHAPTER 59.

COVERING REAL ESTATE: TIPS FOR FINDING STANDOUT STORIES

So where do you go to get the real estate stories that make your coverage standout? And not just vs. the competition but in your own newsroom?

Here are a few places to consider visiting …

MODEL HOMES OR OPEN HOUSES

Numbers tell only a slice of the housing story – and often that statistical tale is in the rear-view mirror. But one of the hardest things in real estate – for the industry and reporters alike – is understanding what makes buyers buy – or not. Two places that house shoppers gather are the model homes of new builders and open houses for marketing of older homes. While you're at the builders' model homes, check out the products for new design twists or novel home amenities that can be story fodder, too.

AGENT MEETINGS

Real estate agents love to meet and share tales of what's going on in their business. These gatherings can run from traditional meeting hall sessions, to less-formal coffee shop chats to tours of homes for sale in a neighborhood. It's both a good way to hear the buzz and the meet-and-greet potential or actual sources in person. If you don't mind public speaking, offer yourself as a "guest expert" to talk about the media's role in the local real estate business. Of course, be prepared for the "Why aren't you more friendly to real estate?" questions.

PLANNING COMMISSIONS

Most municipalities in some way govern the construction and/or remodeling of major structures – from new homes to office towers to retool a shopping center. Through whatever means – usually a local planning board – people or entities seeking to build must file paperwork detailing their projects. Often these are public documents creating stories ideas. These government filings may contain details of the project; pros and cons; and even local objections. Think out of the box, too. One hot topic debated at these commissions is where new cell towers or other radio towers will be constructed.

THE COURTHOUSE

Real estate is an intensely competitive business that often leads to litigation. Not every slice if litigation is newsworthy – and not every filing in a higher-profile case is worth your time. Still, you'd be well-served to find time to devote to visit your local courthouse – or know how to do it online – to see

who is suing whom in your market. (Or make sure your best friend happens to be your newsroom's courthouse reporter.) Seeks out the legal stories that define a current trend or have a solid element of drama.

EXHIBIT HALLS

The next time you go to a real estate trade show – and there are plenty of them – ignore all the panel discussions about "the future" and spend serious time with the vendors in the exhibit hall. After you ignore their giveaways, and politely inquire about a vendor's product or service, hone in on what these vendors know about the real estate business in your community. Are sales up or down for products and services that support the real estate trade? What are real estate insiders telling the vendors about the health of the market?
Vendors can be great sources because they see the business from a whole different side.

SOCIAL MEDIA

Numerous real estate professionals – often, sole proprietors or owners of small business – are intensely using blogs, Facebook, LinkedIn, Twitter and the like as novel marketing and communication tools. Your ability to leverage social media as reporting tool to follow ground-level real estate news in your community can be invaluable.

ONLINE

Become expert at using online real estate databases such as Zillow or Trulia or Redfin, to name a few. These allow you to quickly explore what's for sale and/or selling in your market. Many real estate sites – maybe even your own news organization's website – allow registered users to get custom search results by email. Imagine automatically knowing when local mansions hit the market or are sold. Similarly, this can also be done with foreclosure tracking sites like RealtyTrac for Foreclosures.com

YOUR OWN NEWSPAPER

Please read your own newspaper, especially the local news section. Quite often what amounts to real estate stories appear, frequently as government stories. Is some city council debating the future of a big residential or commercial development? Find your angle. Property taxes to rise? Bet that there's lots of opinions in the real estate business and among property owners! Is crime up or down, and where? Ask how this impacts house sales or apartment rents. Does a local sports team want a new facility? Reach out to see how it will hit local construction workers.

CHAPTER 60.

COVERING REAL ESTATE: AVOIDING TRAPS, MISTAKES

In the day-to-day grind that is modern journalism – hour-to-hour for more than a few – we get caught up on various reporting or production habits that get us through a day, week or month.

However, these rituals – from what sources we use to how we frame our work – can at times nudge our work in the wrong direction. It's easy to fall into various traps on the real estate beat – with its many facets and forces – if you're not always mindful of your current and potential audiences.

One harsh reality is that it's a good bet that editors in your newsroom will see the slew of national real-estate reports and wonder "How does our market fare?"

Don't fight this hassle too hard, rather, be prepared by (1) knowing the schedule of these major reports so you can plan; (2) knowing which reports contain local or regional data that can highlighted; (3) what local sources have similar data that can amplify – or question – these "widely watched" economic releases.

Don't always insist on writing these "national" stories. Instead, offer an info box or insert of the local context. In many cases, national trends have little to do with what's going on in your community.

Now this could get you in "trouble," but remember you have an audience to serve, too. If you master basic coverage skills, you'll have time for the far-better stuff.

Assuming your goal is to reach a broad-based crowd of followers, here's a check list to keep you on track: 10 things a real-estate reporter can't forget.

YOUR AUDIENCE

Real estate is a very competitive industry with a lots of colorful and strong personalities that creates frequent internal friction. Resist the urge to cover too much of we might call "inside baseball" of these tussles. That may be great fodder for your sources, but some "industry" news is not interesting to the broader audience.

RENTERS COUNT

Certainly much of real estate's drama has been in the for-sale housing market, with prices soaring and collapsing. So consequently, apartment rents that don't move as much seem less sexy, coverage wise.

Don't forget that 40% roughly of America lives in rentals – and numerous experts suggest that the apartment dweller crowd will grow in the coming years.

IT'S A LOCAL BUSINESS

Know your market. Have great local sources. That is more than being able to put national trends in context. It's likely that market conditions – residential or commercial, ownership or rental – are not the same all around your community. What niches or neighborhoods are hot. Which ones are not?

USE ENGLISH

Real estate is not brain surgery or rocket science. Still, the industry does have its share of complex and confusing lingo. Always try to keep your coverage simple. You don't really have to say things like "loan facility" or "mezzanine financing" when you simply mean a commercial mortgage. If you must use lingo – please explain it to your readers.

IT'S A VOLATILE AND CYCLICAL BUSINESS

History likes to repeat itself. And real estate is a prime example. So whatever trends you're covering, remember that nothing's permanent. Push sources to provide historical context – especially when you're writing about short-term trends. If nothing else, watch year-over-year and year-to-date trends as well as monthly data.

REAL ESTATE IS ASPIRATIONAL

Homes or office towers and the like are not just assets to be bought and sold. It's all not about some price index. People develop emotional ties to real estate, whether they own it or not. Keep eye-catching and thought-provoking properties in mind. The drama of real estate is why, for example, reality TV discovered housing is a hot topic.

THERE IS NO PERFECT INDICATOR

There is no Dow Jones Industrial Average to be the wise indicator of all that is real estate. (And even Wall Street's Dow Jones stock index has its faults.) No single measure exactly covers real estate market activity. Sure, the plethora of indexes can be confusing – but that's your job: Explain the trends. Showing "conflicting signals" is not a crime.

HATE HYPERBOLE

Real estate is an industry filled with strong-willed salespeople with a bad habit of overzealous use of superlatives – whether it be describing a property or a market trend. (Plus, they frame every tidbit as a reason to buy.) Be vigilant. Watch for insanely colorful portraits of properties. Try to keep boosterism to a minimum. No trend is a once-in-a-lifetime or sea-change moment.

CONSTRUCTION MATTERS

Even after a horrific loss of jobs that drove building-industry employment nationwide to a 20-year low, roughly 1-in-25 Americans works in construction. While it's often dirty, less-than glamorous work – trends in construction employment can be early signals of economic turns. Plenty of dynamic personalities dot construction trades, lumber yards and the like. And don't forget the remodelers, too.

CONVENTIONAL WISDOM CAN BE WRONG

Just because something hasn't happened before – or in three quarters in century – doesn't mean it can't happen. This recent real estate downturn broke many real estate "truths" – from wild swings in buying and lending patterns as household formation took a sudden turnabout. Bottom line: challenge industry norms and expect the unexpected.

CHAPTER 61.

COVERING REAL ESTATE: GLOSSARY OF TERMS

Like any other industry, real estate has its own lingo. Here's a brief slice of the vocabulary needed to succeed in covering this beat.

Adjustable-rate mortgage

Interest rate and the resulting monthly house payments of these "ARM" home loans vary over time. Some ARMs offer teaser rates with initial, discounted payments. It was a key culprit in the real estate debacle as lenders allowed borrowers to get these loans despite the fact the borrower could not pay for the higher adjusted rate.

Annual Percentage Rate

Or the "APR," this math measures of the cost of credit in terms of a yearly rate. It's not just the stated interest rate, it includes the cost of acquiring that credit. Federal law details the formula for APRs quoted by lenders.

Appraisal

Third-party evaluation of the value of real estate typically done for application for a mortgage as part of a refinance or purchase transaction.

Appraised value

Value set on a real estate property and/or a home by a government agency that collects taxes based on a rate set against this valuation.

Cap rate

The "capitalization rate" is one estimate of potential income on a real estate investment based on the expected income that the property will generate. The math? Expected income generated divided by purchase price or value of the property.

Closed sale

These homes have formally changed ownership with a transaction recorded in government databases.

Closing costs

Expenses involved in making a mortgage including the paying of points, or loan fee, to the lender for advancing the funds.

Commercial real estate

Big properties that are owned typically by investors seeking investment income. Property can run from office buildings to malls to hotels to factories and warehouses.

Commission

What is paid – typically a percentage of the property sales price – to a real estate professional for negotiating the transaction. Traditionally, homeseller pays. The rate is negotiable and for residential properties it can run up to 6 percent.

Comp

Information about transaction of like properties – or "comparative" sales – used to determines a property's value by comparing similar properties recently sold.

Conforming mortgage

Home loan below the dollar limit for loans bought by federal mortgage guarantee agencies. Currently, that's $417,000 in many municipalities. These mortgages have traditionally offered lower rates due to the government backing.

Credit score

Various credit trackers have scoring tools that measure a person's likelihood of repaying their loans. This is a key ingredient in the loan application process.

Deed-in-Lieu

Used to avoid the pain and hassle of foreclosure, a strategy whereby owner simply turns ownership of a property to the lender to fulfill the debt.

Default

When borrower fall behind on real estate loan payments, lender will officially notify the borrower that they are in legal "default" of the terms of their mortgage. This typically leads to the start of the foreclosure process.

Delinquency

When a loan back by real estate has late payments.

Direct mortgage lender

Person or entity that makes home loans with their own funds of funds or money collected from investors.

Earthquake insurance

Policies bought – frequently through government-sponsored programs – to protect against the damage caused earthquakes. Such damages typically not covered by a standard homeowners policy.

Effective rent

Measure of what landlords effectively get from their tenants – the rate of rent asked for minus whatever concessions it takes to get those tenants into a rental unit or apartment.

Equity

Funds put in a real estate deal, such as a down payment; or the value of the property above the amounted borrower against it.

Eviction

Legal process where owner of a property has a tenant, former owner or the like physically removed from the premises.

Existing home

Old or "used" homes vs. newly constructed residences. Many groups, notably National Association of Realtors, track sales of existing homes.

FHA

The Federal Housing Administration's goal is to advance home ownership in the nation. A primary service is mortgage insurance to lenders to cover losses if borrowers defaults.
Flipping: Where an investor buys a property – perhaps improves it a little – and then resells it quickly in hopes of profit

Flood insurance

Policies bought – frequently through government-sponsored programs – to protect against the damage caused by rising water. Such damages typically not covered by a standard homeowners policy.

Foreclosure

The act of selling a property whose owner has not made their real estate loan payments. Often, a foreclosure results in the lender taking back the property but investors a private parties can go to the foreclosure auction and buy such a distress property.

FSBO or "fizz-bo"

Homes that "For Sale By Owner" are marketed by the owner with little or no help from professional real estate sales people.

Ginnie Mae

The Government National Mortgage Association or "GNMA" is a government-owned agency overseen by the U.S. Department of Housing and Urban Development. It pools mortgages backed by Federal Housing Administration and the Veterans Administration for resale to investors.

Government Sponsored Enterprise

Federally sponsored home-loan agencies – Fannie Mae and Freddie Mac – that buy mortgages from private lenders; guarantee repayment; and then converts the loans into securities for sale to investors. This helps replenish to supply of money for real estate lending. Federal government seized both after they collapsed due to losses from the foreclosure wave created by real estate downturn.

Home Equity Line of Credit

Typically a second mortgage on a property where borrower can access a set amount of the excess value of the property above the amount owed on the first money. These loans usually are for a set amount that the borrower can choose to access and repay at their choosing over a 15-year period.

Homeowners Association

Often called "HOAs," these legal entities – elected by owners of properties in a community – govern certain aspects of ownership within those communities. (These are frequently seen keeping the spirit of a master-planned community.) These homeowners associations collected dues and can legislate everything from the type of landscape homes use; to design and color of homes; as well as maintaining recreational facilities and landscaping in common areas in the community.

Homeowners' policy

Insurance for property owners to protect the property against certain damages – fire, for example; theft; and for personal liability resulting from ownership of the property. Flood or earthquake damages is typically not covered.

In-fill project

Development space in highly developed communities. Often created by tearing down old structures. In such older, densely population markets, this is often the only way to get new housing or commercial projects developed.

Jumbo mortgage

Home loan that exceeds the dollar limit for loans bought by federal mortgage guarantee agencies. Currently, that's $417,000 in many municipalities. Jumbo mortgages have traditionally offered higher rates due to the risk of to their larger size and the lack of government backing.

Loan modification

When a borrower a cannot afford a mortgage, they can approach a lender for new loan terms. If terms of the old mortgage are altered – changes in interest rate or size of amount owed – then borrower has acquired a "loan modification." Several government programs have tried to motivate lenders to approve such actions.

Loan to Value Ratio

The often-called "LTV" is a percentage showing the amount borrowed vs. price paid or appraised value of a property being financed. In a purchase transaction, it is the reverse of the percent of down payment put forth by the buyer. (That is, 20 percent down equals 80 percent LTV.)

Master planned community

Neighborhood where a developer may plan out the entire community's life – from housing, rental and owned; schools and parks; office space and shopping centers – from the start of the project. These projects often have common architecture, landscaping, etc. Famous master-planned communities are Irvine, Calif. and Columbia, Md.

Median price

This statistical benchmark measures the midpoint of a series of data points, such as the median selling price of homes in a given period. Unlike an average, it is not easily swayed by one unusually large or tiny price. Unfortunately, medians can be swayed by the change of mix of homes sold, such as more or less expensive homes being sold in a given period. National Association of Realtors tracks this.

Mortgage broker

Independent licensed person or agency that helps make mortgages. They typically offer funding from various third parties.

Mortgage interest deduction

This tax advantage allows the interest cost of a mortgage to be written off for income-tax purposes. That can reduce the cost of ownership. There is fear that elimination or scaling back of this deduction will hurt home prices.

Mortgage-backed securities

An "MBS" or mortgage bond are derived from pools of home loans that have been packaged into tradable securities. Once viewed as ultra-safe investments, the placement of risky subprime loans into these pools help create the recent real estate debacle.

Multiple Listing Service

The "MLS" is a broker-operated electronic service that tracks and publicizes properties for sale in a region. Thus, when a home is put on the market it is "listed."

Negative amortization

The "neg am" loans allow borrowers monthly payments that due not cover the full interest and principal due to pay off the mortgage on time. That is, the loan balance grows rather than shrinks during a set period of a mortgage. These loans allowed borrowers to mistakenly buy more home than they could afford during the housing boom that collapsed into the real estate downturn.

Occupancy rate

A measure of how much of a commercial real estate property – or pools of such properties –is leased out. It's one way to compare the tenant interest for a specific type of commercial real estate.

Pending sales

Home purchases that are under contract but not yet closed. These pending sales indicate the current level of homebuying activity. National Association of Realtors tracks this.

Points

Fees or other charges the borrower pays to lender complete a home loan that are a set percentage of the loan amount.

Pre-approved

A borrower who has gotten a lender to commit to lend a fixed loan amount based on a completed and approved loan application. Pre-approved borrowers still must acquire a property that meets various lender standards.

Property taxes

Government levies on the value of real estate, often based on a set percentage of the appraised value of the taxed property. These taxes are often major funding vehicles for local municipalities.

Raw land

Undeveloped property bought by speculators and/or developers for future projects.

Real estate agent

Salesperson for housing or other real estate. They need not be a Realtor.

Real estate investment trusts

These "REITs" or "reets" are pooled investments that owns commercial real estate from malls to office towers to storage units. Investors get income from rents collected by the REIT management – plus the hope of appreciation. REITs can be traded like stocks on Wall Street, though, some REITs are privately held.

Real estate owned

"REO" are properties that lenders have taken back from former borrowers and sit in their portfolio. Frequently, banks sell REO homes and other real estate at discounted prices.

Realtor

Specific trademarked professional designation from the National Association of Real Estate, a trade group for people who sell homes or other real estate.

Renters insurance

Policy bought by apartment dwellers or others who lived in rented properties to protect their own property against damage caused by fires, etc. Property owner landlord likely has insurance only to protect their structure from damage.

Reverse Mortgage

Home borrowings for seniors that converts equity in their home into available income – either monthly payments or line of credit. Ownership remains with the senior until death, when the lenders gets control of the home to be repaid.

Servicer

Slice of the mortgage business that collects mortgage payments from borrowers and advances those monies – minus a fee – to owner of the mortgage. This is frequently a different entity than the lender who made the loan.

Short sale

When homeowner is selling a home for less than the amount owed to the lender. These deals required banker approval and are very tricky to complete.

Subprime mortgage

Home loans made to borrowers with risky credit histories. Traditionally a niche business, it became a hugely popular way to borrow in the last decade and the risks involved eventually helped to create the real estate debacle.

Tear down

Situation where an existing building is bought for its land value and the new property owner plans to demolish it for a new structure.

Teaser rate

Discounted starting interest rate on an adjustable-rate mortgage, good for up to 10 years depending on the deal structure. When this rate ends, borrower has to pay the often-higher "fully indexed" rate

set by a benchmark rate. Borrowers got in financial trouble in recent downturn when lenders did not check if borrower could afford payments after teaser rate ended.

Title insurance

Financial protection for both by buyer and seller of real estate to protect them from any legal challenges resulting from the transfer of the property where ownership or encumbrances later becomes in question.

Underwater mortgage

Situation will borrower owes more than a property is worth. These borrowers are thought to be more susceptible to foreclosure. This states is also called being "upside down" for being in "negative equity."

CHAPTER 62.

COVERING REAL ESTATE: RESOURCES, EXPERTS

A plethora of groups and companies track the real estate market. Since the math involved is part science, part art, it's suggested you look at a range of data sets to provide your audience with the proper perspective.

Don't be afraid of conflicting trends, just try to do your best to explain the data differences and look at long-term trends – year-over-year stats – for a more comprehensive market view.

Try to find experts in your local community who may track the markets you watch in intimate detail. Here's a sampling of national data providers, many of whom have regional slices of their statistics

HOME PRICES / SALES

Standard & Poor's/Case-Shiller: Perhaps the most widely watched monthly price index, although it only tracks 20 major markets and is weeks behind other data reports. **S&P/Case-Shiller Home Price Indices**

National Association of Realtors: Trade group that follows pricing and buying activity on a national basis (monthly) and 300-plus regional basis (quarterly). **National Association of Realtors news releases**

Federal Housing Finance Agency: Regulator that follows pricing on a national basis (monthly) and 300-plus regional basis (quarterly). **Federal Housing Finance Agency: Latest House Price Index**

CoreLogic: Private company that follows pricing on a national and regional basis (monthly). **CoreLogic: Research and Trends**

FORECLOSURES / DEFAULTS

RealtyTrac: Widely quoted private data tracker of foreclosure and default data on a national and regional (monthly) basis. **RealtyTrac: Press Releases**

Mortgage Bankers Association: Trade group that tracks delinquent mortgages on a national and regional (quarterly) basis. **Mortgage Bankers Association: Press Center Online**

CoreLogic: Private company that follows of foreclosure and default data on a national and regional (monthly) basis. **CoreLogic: Research and Trends**

BUILDERS / CONSTRUCTION

Census follows several construction-related statistics:
Guide to data sources from the U.S. Census Bureau: **Construction**
U.S. Census Bureau: Construction spending on national and regional basis monthly.
U.S. Census Bureau: Building permits, indicator of builders' future intentions.

National Association of Home Builders: Trade group that survey developer optimism on a national and regional monthly basis. **NAHB/Wells Fargo Housing Market Index (HMI)**

Associated General Contractors of America: Trade Group that provides quick analysis of national and regional construction jobs data. **AGC of America Press Room**

MORTGAGE RATES / LENDING

Freddie Mac: Government mortgage investor that tracks mortgage rates on weekly basis. **Weekly Primary Mortgage Market Survey – PMMS**

Mortgage Bankers Association: Trade group that tracks new mortgage application on a weekly basis. **MBAA: Press Center**

National Association of Home Builders: Trade group that tracks house shopper affordability – Housing Opportunity Index – on a national and regional quarterly basis. **NAHB/Wells Fargo Housing Opportunity Index (HOI)**

PART XIV.

COVERING THE RETAIL BEAT

Everybody shops, but the retail beat is about much more than going to the mall. We asked Ylan Q. Mui, who covers consumers and the economy at The *Washington Post*, to explain how and why. Originally published July 14, 2011.

CHAPTER 63.

COVERING RETAILING: AN INTRODUCTION

The good news about covering retail is that it's one of the most accessible beats in business: We all buy stuff, so both reporters and readers have a basic understanding of how the industry works.

But the retail beat is about much more than going to the mall. It is about how merchandise is manufactured and transported around the globe. It is about new technologies that are changing the way we buy products and how we pay for them. It can tell the story of a local mom-and-pop or of the biggest company in the world, Walmart. It delves into psychology to explain brand identity – Starbucks or Dunkin Donuts? – and captures our cultural zeitgeist. Silly Bandz, anyone?

The Great Recession also reminded us that shoppers remain at the heart of our country's economy.

How we choose to spend – or not spend – our money speaks volumes about the nation's financial health. The boom years gave birth to $300 designer jeans. The bust spawned extreme couponing. Retail reporting requires the ability to parse economic and market data to unveil hidden truths about the state of the nation.

This Beat Basic will help you understand the most common types of retail stories and provide you with ideas for approaching them in a fresh way. It will cover the challenges of the beat, from ways to gain access to a store to walking the fine line between reporting a trend and promoting a product.

This introduction to the retail beat will also explain jargon and break down the sales reports and economic data released each month. And of course, it will also cover the all-important Christmas shopping season. (Hint: It's *never* too early to start thinking about the holidays!)

Retail is one of the most fun beats on the business desk. I hope you will enjoy it as much as I have.

CHAPTER 64.

COVERING RETAILING: THEMES AND KEY ISSUES ON THE BEAT

There are several common types of retail stories that you will encounter on your beat. If you've been assigned a retail story and are jumping in cold, chances are it fits into one of these models. I'll give an explanation of each issue with tips on how to approach the story.

TRENDS

Trends may come and go, but the trend story is a staple of retail reporting. It may take the form a local angle on a national trend, such as rising food prices or the advent of Zhu Zhu pets. Or you may have spotted something unique to your community. I once wrote about a neighborhood where dozens of kids set up dueling lemonade stands and their selling techniques, including carside service, charity tie-ins and price discounting.

There are two elements to a strong trend story: people and hard numbers. Without colorful examples and anecdotes, you're left with a dull research report. If you don't have a few statistics backing up your premise, you don't have a business story!

Finding numbers is often easier than finding people. There are a host of market research firms that collect data on everything from neckties to energy drinks. Local business owners are also often more willing than big companies to share sales and customer data with you. In my lemonade stand story, I learned that one of the children spent a weekend counting the cars that drove by his house to help him figure out how much lemonade he needed to make and how much to charge.

Finding people to illustrate a trend often requires plain old shoe leather. I've accosted people in supermarkets and shopping malls, lurked on listservs and crashed MeetUp groups. I've also put together a database of "real people," friends, acquaintances and sources with large social circles who, more often than not, know someone willing to be interviewed for a story.

STORE OPENINGS

Opening a store is a huge investment – not to mention a gamble – for any business owner. There is an inevitably complicated permitting process, a lengthy and expensive build out of the space, the acquisition of merchandise, a search for talented staff and finally a hope and a prayer that customers show up.

Each of these stages is an important element in the opening of a store: What did it take for local officials to approve the store? Was there any opposition to it? Will it be receiving any government money?

What demands did local officials want from the retailer and vice versa? It is not uncommon for a merchant to request a certain traffic pattern, or for local officials to put restrictions on signs and billboards.

Also important are the types of products the store will carry. Will it be a new prototype for future stores? Is the company testing any merchandise in this store? Has it tailored its selection to the community, for example, by stocking more ethnic food in diverse neighborhoods or larger pack sizes to cater to harried moms? A smart retailer will make each store unique – and a smart shopper will notice!

The tough economy has brought renewed focus to retail's role in creating jobs. A strong story will include not only the number of people the store hires, but also address wages and employee selection. Many cities will ask large retailers to set aside a certain number of jobs for residents.

In addition, many grocery stores are unionized. If a new supermarket is opening, it may be worthwhile to find out whether it is part of a union and speak to local labor leaders.

STORE CLOSINGS

More common than store openings in recent years are store closings, one of the consequences of the Great Recession. A store closing sets a different chain of events into motion, each ripe with stories.

A large store closing may result in a Worker Adjustment and Retraining Notice (WARN) to your state unemployment office 60 days before it shuts down. This may be your first tip that a major retailer in your area will be closing. The impact of those layoffs to your community will be an important thread to follow. You may also want to check with local officials on the loss of sales tax revenue from the store.

Large retailers often outsource store liquidations to special firms. Those firms frequently bring in outside merchandise to sell along the store's original products, a practice that irritates many consumers. You may also want to track what happens to the things that don't sell, no matter how deeply they are discounted. There is an entire industry for liquidated merchandise that is fascinating to dive into.

Most retailers do not own the building in which they operate. You should seek out the landlord to find out what will happen to the space and how much rent they can hope to claim. Local officials may also weigh in on the impact of a blighted store front on the community. No business owner wants to be next to an empty space.

NEW TECHNOLOGY

Retailing is an intensely competitive field, and stores are always looking for innovations that can help them reduce costs or sell more products. That means they are often the first adopters of new technologies, from global tracking devices that monitor the shipment of merchandise to mobile coupons to Facebook credits.

These stories tend to have a "gee-whiz" feel to them, but don't forget to ask whether a fancy new technology actually results in higher sales or lower costs. Otherwise, it might not be around for long.

Sometimes, old innovations can make for interesting stories as well. New York Times retail reporter Stephanie Clifford wrote a front-page story on rethinking the store mannequin: Stores Demand Mannequins with Personality (Heads Optional). During the Great Recession, several retailers reinstated layaway in their stores upon customer demand: Newsweek, Banking on Layaway.

HOLIDAYS

We're not just talking Christmas. Every month seems to bring a special shopping occasion: the Super Bowl, Valentine's Day, Mother's Day, Independence Day, back-to-school season – you get the picture. As a retail reporter, you will often be asked to find a new angle on an event that happens every year.

Some common stories include how much consumers plan to spend during the holiday and what they plan to buy.

If you're lucky, a new product or catchy advertising campaign will emerge that allows you to write a trend story. But you can also do the opposite: Explore the history of an old favorite. For example, one holiday season the Times-Picayune in New Orleans wrote about the origins of the "turducken," a chicken stuffed inside a duck stuffed inside a turkey that had long been a local staple but became famous nationally.

Often, holiday stories are not about what's new and different but simply about what is interesting. You could shadow a florist on Mother's Day, follow a harried mother shopping for school supplies or make chocolates at a local confectioner for Valentine's Day. As reporters we may try too hard to find something new when readers (and your editors) are seeking the familiar.

CHAPTER 65.

COVERING RETAILING: WHAT THE ECONOMIC DATA MEANS

There are several sets of data released each month that attempt to provide a window into how much merchandise retailers are selling and how much people are spending – two sides of the same coin that can result in very different figures. These are often taken as indicators of the country's economic health, but some statistics are more reliable and comprehensive than others.

Even if you do not report on this data when it is released, you'll find it helpful to review it periodically to find new trends in consumer spending or to provide support for things that you see happening on the ground. Interested in how auto sales changed after the government's Cash for Clunkers program? Writing a story about how high food and gasoline prices are affecting people in your community? Want to show how the ailing home furnishings market has put a local chain out of business? This data will be valuable to crafting a more solid story.

SAME-STORE OR "COMPARABLE" STORE SALES

- Released on the first Thursday of every month
- About 30 major chain retailers report these numbers, most of them stores you would find in a mall (Think Gap, Macy's, Abercrombie, Kohl's), plus warehouse clubs (BJ's and Costco) and a few big-box stores like Target. Each retailer puts out its own press release out in the morning with results and commentary, making it a real pain to compile them all!
- Same-store or comparable store sales measure the amount of sales that month ***only*** at stores that have been open for at least a year. That figure is then compared to sales during the same month the previous year and converted into percent change.
    - Ex: Retailer XYZ recorded $100 in sales in July 2010 and $110 in sales in July 2011. That means same-store sales rose 10 percent in July from a year ago.
    - Retailers will usually include their net sales results in these press releases. Do not be fooled! Net sales results are usually higher than same-store sales because they include sales from stores that have opened in the past year. New stores typically get a boost in sales because they're, well, new and shoppers want to see what all the fuss is about. Net sales are important, but keep in mind that they measure something different.
    - Investors and analysts find same-store sales useful because it gives you a good idea of how well the retailer is running its stores. Can it keep customers? Can it convince customers to buy even more? Are people buying different things? Same-store sales help answer these questions.

- Same-store sales can affect a company's stock price, sometimes dramatically. Many large retailers (most notably, Walmart) have stopped reporting the data because they feel it makes their business too vulnerable to the whims of the market. However, many will still include the information in their quarterly earnings reports.
- Two groups compile results for all of the retailers reporting same-store sales, the International Council of Shopping Centers and Kantar Retail. They group the stores by category (luxury, discount, etc.) and aggregate the results. These reports are usually available between 11 a.m. and 1 p.m. They are useful for giving readers a broad overview of how the industry performed.

COMMERCE DEPARTMENT MONTHLY SALES

- These figures are released on a different day each month. They represent the government's best estimate of total sales at retailers large and small across the country. Release dates schedule (PDF)
- This data includes a much broader range of retailers than same-store sales. It also measures sales at all stores (net sales), not just those open at least a year (same-store sales).
- The data includes raw numbers and also comparisons to previous months and years. The data also comes "seasonally adjusted" or "not adjusted." The seasonally adjusted estimates are supposed to reflect the fact that people tend to buy certain products during certain times of the year. For example, they may buy more gas in the summer. That effect is stripped out of seasonally adjusted data. Non-adjusted data is just the raw numbers.
- For a reporter, the most important chart in this report is the last one – seasonally adjusted sales results compared to previous time periods. The only two you really need to worry about are comparisons to the previous month (July vs. June) and the same month of the previous year (July 2011 vs. July 2010).
- Typically, economists focus on the month-to-month comparison in this set of data because it can tell you how consumers are progressing throughout the year. Are they buying more or less? Did major world events affect the way they spend their money? However, you may find the year-to-year comparison helpful if you're writing about a longer-term change.
- This is only the government's first crack at a reliable estimate. The number will be revised the following month, though the change is typically small and is not reported.

PERSONAL INCOME AND OUTLAYS

- These figures are released monthly by the Bureau of Economic Analysis in the Department of Commerce. Generally, retail reporters do not cover these numbers, but if you may find interesting nuggets if you take the time to review them.
- The data covers how much money Americans made during one month and how much they spent – not just on retail, but on rent, mortgages, utilities, services, etc. Think of it as our national checking account. Data dubbed "real" has been adjusted for inflation.
- Real personal consumption expenditures is a fancy way of showing how much people spent in major categories like cars, food and apparel.
- This is also where you can find America's savings rate – the amount of disposable income left over

after all of those expenditures. Just a few years ago, our savings rate was near zero. Now, it has rebounded to roughly 5 percent.

COMSCORE ONLINE SALES

- This Virginia-based firm, comScore Inc., measures digital audiences and traffic. During the holiday season, they release regular estimates of online sales and traffic. They are not the only company to calculate these results, but they are one of the most cited.
- These stats do not include travel spending, auction sites such as eBay and large corporate purchases
- The data is tracked monthly, weekly and daily, so you can see the effects of big events such as Free Shipping Day, Cyber Monday and Black Friday

SHOPPERTRAK RETAIL SALES

- This Chicago company, ShopperTrak, helps major retail chains track the number of people who walk into their stores. They use that information to estimate how many sales retailers are ringing up.
- ShopperTrak issues retail sales estimates weekly, monthly, quarterly and annually. The numbers typically are not widely cited outside of the holiday season, when investors, analysts and even editors are hungry for every bit of data! The company is particularly useful for estimating the number of people who go shopping during the post-Thanksgiving weekend.

MASTERCARD SPENDING PULSE

- MasterCard analyzes the purchases made on its network and surveys other sources to estimate total retail sales in variety of categories. The data is released monthly.
- The figures are rarely reported on by themselves, but they are frequently cited in larger trend stories. While government data is reported without comment, MasterCard usually includes some analysis of the reasons behind any large swings.

CHAPTER 66.

COVERING RETAILING: A REPORTERS' TOOLBOX

There are several techniques you can use to inspire story ideas and get the information you need outside of the official channels. Retailing is a very public business, after all. Everything is laid out inside the store for you to see, if you know how to look.

WALK THE STORE

Even CEOs make a point to walk through their company's stores – and their competition's – on a regular basis. They are searching for clues to how the store is performing.

How full is the parking lot? How full are shoppers' carts or bags? Is the store well-stocked, or are there empty shelves? How much merchandise is on sale? How much is on clearance? How long has it been on sale? How many employees are there? What products have they placed in prime positions at the front of the store, at the end of an aisle or on eye-level shelves? How often do they introduce new products?

These are all questions you can answer just by scanning the floor and will help inform your reporting. I also like to flip through magazines and the Sunday circulars to see how retailers are advertising their products and positioning their brands.

CORPORATE HOOPS

A store is private property, and a manager can kick you out if you try to interview people inside without the company's permission. However, I've generally found that no one will bother you if all you've got is a pen and notepad. If I just need a few shopper quotes, I don't bother alerting management or jumping through the corporate hoops. I just walk in.

However, most people are more wary of a camera, so I ask in advance for permission to shoot photos or video inside the store. Some retailers allow store managers to give approval; others require reporters to contact their headquarters. I've even had retailers ask our publication to sign contracts before a photographer or videographer could shoot. (We politely declined.)

I've also found that shopping center managers are more accessible than corporate press offices and more open to allowing interviews, photos and videos.

If I don't feel like bothering with a retailer's headquarters or it is being difficult, I'll just call up a mall manager who will let me station myself *just outside* of the store to get the shots and interviews we need.

DEVELOPERS

The retail beat is often combined with complementary coverage such as commercial real estate. Developers can often become rich sources of information with insider knowledge of a retailer's sales and performance.

Commercial developers seek to build successful shopping centers, so they must understand retailers and stay on top of the latest store formats and popular brands. They tend to have the scoop on new stores coming to town and which ones may be leaving. They also make good "expert" quotes and can talk about the impact a retailer has on a particular neighborhood.

COMMUNITY ACTIVISTS

They are often on the opposite side of developers but are no less plugged in. They can be influential in whether a retailer even comes to town and may request certain requirements, such as limits on store hours or proximity to schools. In some cases, the community may be the force that brought the retailer to town in the first place. They also help dictate the mix of retail (i.e. food, apparel, services) in a neighborhood. If you're writing about a grocery store, you should also cultivate any union representatives.

TRADE GROUPS, EXPERTS AND BLOGS

Several national organizations can help provide you with statistics, context and resources for your stories. They can also provide expert commentary and help keep you abreast of the latest developments in the field.

- **National Retail Federation**: The PR people at this trade association are some of the most helpful and in-touch in the business. They can provide commentary on almost any topic and can put you in touch with top executives across the industry. Through its partner, BigResearch, it releases exclusive data on consumer behavior, trends and spending estimates for major holidays and significant news events. During Christmas, they are indispensible. Their members include major retailers such as Macy's, small businesses and online-only players. Call them early and often and you won't regret it. Specialties include: consumer trends, holiday stories, online shopping, and organized retail crime/loss prevention, retail policy.

- **Retail Industry Leaders Association:** The rival trade group to NRF, its members are tilt toward big-box stores such as Walmart and Home Depot. It focuses less on consumer trends and more on policy and back-end issues. It was a significant player in the national health-care debate, for example and has also weighed in on online sales tax collection.

- **International Council of Shopping Centers:** This trade group represents retail real estate developers and is a valuable resource for data on shopping malls, including vacancy rates, square footage, average rents, etc. Their analysis of monthly same-store sales is widely cited, and their chief economist Michael Niemira is accessible and helpful. They also have expertise in organized retail crime/loss prevention, lifestyle centers vs. enclosed shopping malls and new store formats.

- **NPD Group:** This consumer behavior research firm has experts with deep knowledge of all the major retail categories, from electronics to toys to beauty to apparel. Their detailed data is widely

used both by retailers and reporters. In a pinch, NPD FashionWorld analyst Marshal Cohen is always good for a quote.

- **Mintel Research:** This companies issues comprehensive reports on almost every merchandise category under the sun. Though some of their work aggregates other reports, it is helpful for getting a strong background in a topic.
- **RetailWire**: This website for retail executives features frank discussions about the nitty gritty of selling. The site organizes discussions around key issues (i.e. zero-waste grocery stores or mobile marketing), with industry leaders offering weighing in with their opinions. This is helpful for identifying useful contacts and also for background and context.
- **Consumerist**: This blog culls consumer news and complaints over just about anything. (Recent entry: Turkey Hill Ice Cream is Somehow Both "New Flavor" and "Original Recipe.") But it also includes some great tips about what is on shoppers' minds. Another recent post accuses Target, RiteAid and Publix of changing its coupon policies to circumvent avid couponers.

CHAPTER 67.

COVERING RETAILING: A GLOSSARY OF TERMS YOU SHOULD KNOW

Retail is as rife with jargon as any other business beat. If you want a formal definition of any of these terms or others, Investopedia is a great resource. But this is my attempt at breaking down some of the most common retail lingo.

Assortment

The mix of products in a store.

Basket size

Can refer to either the number of items each customer purchases or the total value of those items.

Black Friday

Refers to the day after Thanksgiving, the traditional kickoff to the holiday shopping season.

Supposedly, this marked the moment when many retailers began turning a profit, or moved from the red into the black. This may or may not be the biggest shopping day of the year, depending on who is measuring. I generally view this as the day with the highest number of shoppers.

Customer-centricity

A popular trend in which stores and products are designed around segments of customers grouped according to behavioral and demographic characteristics

Customer-loyalty program

A tool retailers use to track each customers' purchases. This helps them tailor their assortment of products and can make their supply chain more efficient. Retailers often encourage shoppers to sign up for the program by promising discounts or bonuses for members. Think Sephora Beauty Insider, Harris Teeter's VIC program or even Target's RedCard.

Cyber Monday

Refers to the Monday after Thanksgiving when shoppers go back to work and start making purchases online. The term was coined by the National Retail Federation and many stores have built promotions around the day. It is typically not the busiest online shopping day of the year.

E-fencing

Selling stolen goods over the Internet, a tactic often employed in organized retail crime

End cap

The display at the end of an aisle. It is considered prime retailing space.

Inventory

The amount of merchandise in the store.

Loss prevention

Fancy term for security, or stopping theft from both employees and shoplifters.

Organized retail crime

The name is pretty self-explanatory, but it's become a hot topic in retail. Organized retail crime goes beyond the teenager shoplifting bubblegum. It refers to systemic efforts by multiple people to defraud retailers – from creating fake receipts for returns to taking merchandise to issuing fraudulent gift cards. Retailers estimate ORC costs them billions of dollars annually. Retail gangs: A new breed of thieves

Point of sale (POS)

Essentially, the cash register.

Price point

Same as price. You may hear retailers refer to "opening price points," the price of the cheapest item them sell in a category. Retailers typically think of their prices and merchandise in terms of "good, better and best." Good is the cheapest and most basic product; best is the most expensive and elaborate.

Sale vs. discount

In normal life, we use these terms interchangeably, but retailers must distinguish between them since everything in a store is technically on sale. Use "discount" when the price of merchandise has been reduced. Retailers also call these products "markdowns." Most retailers plan markdowns in advance to ensure that they can sell all of their merchandise. However, when products aren't selling well, they may have to resort to unplanned discounting to get rid of their inventory – and that's where they can get into trouble.

Sales per square foot

A common measure of a store's performance

Same-store or comparable-store sales

Sales at stores open at least a year compared to sales for the same time period during the previous year. (Ex: July 2011 vs. July 2010) Some retailers include online sales in this calculation.

SKU stands for Stock Keeping Unit

This refers to the code used to identify each type of product in a store. (Ex: All of the Honey Nut Cheerios will have one SKU, while the Multigrain Cheerios will have a different SKU.) The number of SKUs in a store can give you an idea of the diversity of products its carries.

Shrinkage

The amount of merchandise lost to theft or damage.

Super Saturday

Refers to the Saturday before Christmas, and another contender for the biggest shopping day of the year. I generally view this as the day with the highest amount of sales as shoppers scramble to cross all the names off their Christmas lists.

Supply chain

The long, complicated route that merchandise travels from manufacturer to store shelf. Reverse supply chain refers to the movement of returned and damaged merchandise out of the store to another location.

Year-over-year/Month-to-month

Year-over-year compares data for a specific time period in one year to the same time period in previous years. (Ex: first quarter 2011 vs. first quarter 2010) Month-to-month compares data in consecutive time periods. (Ex: second quarter 2011 vs. first quarter 2010) In each case, the most recent time period is usually stated first.

PART XV.

COVERING SPORTS AND MONEY

Covering sports business goes beyond games and delves into the financial oArizona perations of professional teams, universities, non-profits. The *Arizona Republic's* Craig Harris opens his playbook. Originally published July 28, 2011.

CHAPTER 68.

COVERING THE BUSINESS OF SPORTS: AN INTRODUCTION

The business of sports is going beyond game coverage and box scores and delving into the financial operations of professional teams, universities and non-profit organizations, which operate amateur athletic events, college booster clubs and college football bowls.

Covering sports business can be a significant beat in a sports Mecca like metro-Phoenix, where (so far) there are teams in all four major sports leagues along with Arizona State University, the Cactus League, NASCAR and the WNBA.

Sports business coverage, however, also can be done in a town where college sports is king and there isn't a professional franchise within miles. And the beat can produce in-depth, investigative stories in small towns where high school coverage is the franchise of the sports page.

And it's not limited to daily journalism. One of the best sports business reporters in the country is Darren Rovell of CNBC. Rovell previously worked for ESPN.com, and his ability to understand sports and business opened the door to write two outstanding business books: "First In Thirst: How Gatorade Turned The Science of Sweat Into A Cultural Phenomenon" and "On the Ball: What You Can Learn About Business From America's Sports Leaders." In "First in Thirst," Rovell provides intricate details of how Gatorade was created, and he provided a behind-the-scenes look into one of the biggest brands in sports.

BE NICE TO RUTHIE

Regardless of the market, the key to covering this beat is getting to know the "movers and shakers" of the sports community – along with their assistants.

In Phoenix, one of the top sports executives for many years was Jerry Colangelo, the former managing partner of the Phoenix Suns and Arizona Diamondbacks. While Colangelo was one of the most accessible sports executives in the country, you could guarantee he would call you back if you had a good relationship with his longtime assistant, Ruthie, who often screened his calls.

If you were genuinely nice to Ruthie, she would make sure Colangelo got back to you, especially if you were on deadline.

TRACKING MINORITY PARTNERS

You can also develop interesting feature stories by finding out the names of minority owners in professional sports teams.

For example, Jenny Craig, the namesake of the international weight loss company, is a minority owner of the Phoenix Suns. Mike Chipman, who founded a company that developed TurboTax, is a minority investor in the Arizona Diamondbacks but keeps a low profile.

It's also important to gather and review as many public records as possible to develop stories. Of course, professional sports teams are privately held, but their owners could hold large stakes in publicly held companies whose financial reports are available through SEC.gov.

Those records could show whether an owner truly is deep pocketed or leveraged, and you can find related-part transactions, a business deal or arrangement between two parties who are joined by a special relationship prior to a deal. And that relationship may not necessarily benefit shareholders.

TAPPING THE GOLDEN GOOSE

For example, until Howard Schultz sold the Seattle Sonics to Oklahoma City investors in 2006, the Starbucks founder had his coffee company spend $3.7 million during the course of four years on sponsorships for his NBA team. The sponsorships were a fraction of annual revenues for Starbucks, but the deal showed how one person's successful business (Starbucks) was helping a business (Sonics) that was bleeding money.

Interestingly, the sponsorships ended as soon as Schultz sold the team, a move Starbucks said was coincidental. The information regarding the business arrangement was disclosed in a proxy filing that Starbucks had made with the Securities and Exchange Commission.

MAKE FRIENDS WITH SEC FILING

Securities and Exchange Filings also can inform you about sports business relationships. Consider: Robert Sarver is the majority owner of the NBA's Phoenix Suns, and he's the chairman and chief executive of the publicly held Western Alliance Bancorporation. One of the members of that board is George Maloof Jr., who is an owner of the NBA's Sacramento Kings. Sarver has complained publicly about the Suns losing money, while the Maloof family has threatened to move the Kings from California's capital because of financial problems.

As the NBA continues its lockout, it will be interesting to see if Sarver and the Maloofs are part of an alignment among owners in the lockout and labor negotiations with players.

PUBLIC RECORDS

In covering a public university, the athletic department's entire budget along with all coaches' salaries – and perks – are public record, and they can be obtained by filing a public records request. Be sure to ask for all outside contracts, such as those with apparel companies that may significantly boost a coach's compensation. And, be prepared for a fight as many schools don't like to disclose this information.

A number of years ago, the University of Arizona refused to disclose a contract then head basketball coach Lute Olson had with Nike, saying it was a private deal. The money, however, from Nike flowed through the university, which made the deal public and available through a public records request. To get the contract, I appealed to the Arizona Board of Regents, which runs the university system. The regents forced UA to turn over the Nike contract.

Also, get the contracts of peer coaches at other conference schools in order to have context and a fair comparison to what your coach is making.

NONPROFIT DATA

Another great resource for sports business stories is GuideStar.org, which has annual financial records for more than 1 million non-profit organizations.

Non-profits run college football bowls, booster clubs for universities and colleges, state athletic associations (governing bodies for high school sports) and high school club teams. These records will show the revenues and expenses of each organization in addition to the salaries of top employees and independent contractors. See the "glossary and localize" sections for more information and how to develop a sports business story from these records.

CHAPTER 69.

COVERING SPORTS: LOCALIZING NATIONAL ISSUES

One of the best projects I did was looking at all the major sports non-profits, including the professional sports teams, in the Phoenix area to see how they were serving the community. I pulled the 990s and did a comparison by looking at the same time period to see how much was raised and how much was given away or spent on community services. At the time, the Arizona Diamondbacks were the most generous non-profit with little over head and a lot of money going to worthy causes, while the Phoenix Coyotes had numerous questionable expenses, which ended after the story ran.

To examine the finances of a sports non-profit pull at least the three most recent years of the organization's 990s (tax return forms) and look to see how much money is coming in and how it's being spent. See if there are high salaries and examine if money being raised really is helping a local community or if it's being used to give someone a highly paid job with little money going into the community.

Also, look at money being spent on independent contractors and see what the relationship is with officers or board members. In Arizona, all businesses must register with the Arizona Corporation Commission, which posts online all of the basic information of a business such as the names of the owners and where a company is headquartered. This information may show you if there are ties between a business owner and officers and board members of a non-profit.

CIVIL COURTS

Also, if a sports non-profit organization or its executives look like they may be in financial trouble look up civil lawsuits at the county or federal courthouse to see if they have been sued. Most of these records are online.

In a community where prep sports are the bread and butter, look to see how much the executive director of the state's athletic association is making and whether that person has received raises during the past few years at a time when many high schools have been forced to cut back on funding teams, travel, and coaches salaries because of budget problems. Also, if there is a dominant club team in the area or a non-profit booster club for a high school then obtain the 990s to see where the money is going.

If a non-profit organization is leery about turning over the information and wants to know why you want the information, it's probably an early sign that there are questionable expenses. You don't have to give any reason for wanting to examine these public records, and a non-profit cannot withhold records because they don't want you to see their 990s. If this occurs, a call to your local IRS office

should spur a non-profit to turn over the records. You also can go through guidestar.org to look at 990s.

GAMES VS. BUSINESS COVERAGE

The biggest difference between a sports game reporter and a sports business reporter is the former is more concerned about who wins and loses on the field, while the latter is more interested in how a team's business operations affect fans and the future viability of a franchise.

For example, if a team spends heavily on players to win in the short-term, it could produce quick, positive results on the field, which is great for a sports game reporter. Yet, if the owner doesn't have deep pockets and cannot sustain that type of spending then a sports business reporter could take a more introspective view, while the team is winning, to examine whether the franchise is competitive for the long haul.

Some reporters can do both game coverage and business reporting, but typically a sports business reporter has a better understanding of profit and loss statements and, in the main, communicates better with owners and chief financial officers than players.

FROM THE FANS' SEATS

For most fans and consumers, it's always better to have a deep-pocketed owner who can field a competitive team every year.

Fans of the Los Angeles Clippers long have complained about the frugal ways of owner Donald Sterling and the horrible performance on the court by his team. However, as a business operator, Sterling is one of the most profitable owners in the NBA, while other owners who have opened the purse strings to compete now are complaining that they are losing money.

CHAPTER 70.

COVERING SPORTS: CHALLENGES

It's been said many times, but again: Always double check what you believe are facts, especially when there isn't a paper trail to confirm figures.

The biggest error I made in covering sports business came a few years ago when I didn't do enough homework on a Phoenix-area businessman who tried to buy the Minnesota Vikings of the NFL.

The investor told me he had a high net worth and gave me an outrageously inflated figure of what he was worth. Unfortunately, I published the figure – and it was dead wrong.

The investor also convinced the former owner of the Vikings he was wealthy, and there was even a press conference in Minnesota announcing the deal. The sale, however, fell apart when the NFL did some digging and realized the investor had nowhere near the resources he said he had to buy the Vikings.

While I wasn't the only one who was bamboozled, had I done a better job of vetting the investor, I would have had a national scoop instead of eating crow.

The takeaway: Unless you can confirm financial data, don't' use it.

TAKING TIME TO GET IT RIGHT

Another challenge is putting pressure on yourself or succumbing to pressure from editors to have a story first, when it may be better to wait a day or longer to make sure the story is right.

About a year ago, I did a story on the Pat Tillman Foundation, which is named after the former Arizona State University and Arizona Cardinals star who was killed while serving in the military in Afghanistan. At first blush, the foundation's most recent annual financial report appeared to show the foundation wasn't giving away any money for scholarships – as it had promised – and was paying a six-figure income to a relative of Tillman's to run the foundation.

Before running with the story, I put in a call to the executive director who was traveling at the time. She told me she was extremely busy and in New York, but if I could wait two days she would arrange a conference call with the foundation's chief financial officer, accountant, Tillman's widow and herself to explain everything on the financial forms, which she acknowledged may look a bit strange.

It was worth the wait. After visiting with the foundation's officials, they told me the reason it didn't

look like they were providing scholarship money to Arizona State University and others was because the foundation made a pledge of more than $1 million years earlier and was making that payment in installments.

They said accounting rules didn't allow them to "count the donations twice" because the foundation already had listed the initial pledge a few years earlier. Officials at ASU confirmed the money was being given in installments. And the relative actually took a pay cut to help run the foundation and was leaving to go back to his other job because he wasn't making enough money.

Instead of having a "gotcha" watchdog story, I ended up with a fairly vanilla profile of the foundation and an event it hosted called Pat's Run. In the end, I was fine with that because I would rather have a reputation as being fair.

CHAPTER 71.

COVERING SPORTS: A GLOSSARY OF TERMS

Whether you come to the business of sports beat as a sports reporter or from the business desk, you'll need to be familiar with business terms.

Here are some terms you would find in the financial records for non-profit organizations, which run sports-related businesses in small and large communities. Keeping this list of terms handy will remind you of places to look for financial records:

501(c)

This is the designation by the Internal Revenue Service for tax-exempt non-profit organizations. This tax-exempt status allows non-profit organizations to not pay taxes on revenue and donations made to the non-profit are tax deductible.

Form 990

This is the name of the tax return that non-profit organizations file with the IRS. Non-profits must, by law, make their three most recent years of 990 forms available for public viewing. You can also see the most recent filings for free at guidestar.org. For a subscription fee, you can pay to view records at guidestar that in some cases go back 10 years.

Total revenue

This is all the money, including donations and investment income, that comes in for the year.

Total expenses

These are all the costs, including salaries, benefits and money given away, during the year.

Revenue less expenses

This is the bottom line for the year. Like a successful private business, this should be a positive number.

Net assets or fund balances

This is the total amount of money the non-profit has. This is a historical measurement as money can

accrue over time, and major non-profits like college bowl games could have tens of millions of dollars in net assets or fund balances.

Reportable compensation

This is the salary, bonus or other income of employees. Make sure you look to see if employees are getting compensation from organizations related to the non-profit. Also, look at Schedule J to see if any of the officers are getting additional perks like first-class travel or having their health club dues paid for by the non-profit. (That actually does occur).

Contractors

These are organizations that do business with a non-profit. A non-profit on Schedule O has to list the compensation of its top five contractors. This is a good place to look to see if there are questionable business relationships.

CHAPTER 72.

COVERING SPORTS: RESOURCES AND KEY CONTACTS

The go-to source in sports business coverage is the **Street & Smith's SportsBusiness Journal**. There is also a print edition, which I highly recommend subscribing to.

OTHER SOURCES

- **Forbes.com,** which annually ranks the value of professional sports teams and estimates revenues and expenses.
- The sports section of **USAtoday.com**, which gathers all the salary information of professional athletes.
  Cot's Baseball Contracts, (aka MLBcontracts.blogspot.com), has all the information for contracts with all major league baseball players. This site is even used by owners who want to see the contracts of players they may acquire.
- **Sportsbusinessdigest.com**, which covers the sports industry.
- **CNBC: Darren Rovell**, web page for CNBC's Darren Rovell, one of the top sports business reporters in the country.
- **Rod's Sports Economics** is a website by Rodney Fort, a former professor and one of the premiere sports business analysts in the country. He can be reached at (509) 595-0016 or at **rodney@rodneyfort.com**

OTHERS WHO CAN PROVIDE INSIGHT ON SPORTS BUSINESS

- Paul Swangard, managing director of the **Warsaw Sports Marketing Center** at the University of Oregon. His office number is 541-346-3262.
- **Dennis Howard**, the Philip H. Knight Professor of Business at the University of Oregon. He specializes in stadium economics and signage deals. He can be reached at 541-346-3352 or **dennish@lcbmail.uoregon.edu.**
- **Dean Bonham**, the chief executive officer of Bonham & Associates. He has 25 years of experience in sports marketing. He was based in Denver, but is now in Europe. The best way to reach him is **bonham.dean@bonhamassociates.com**.
- David M. Carter, executive director of the University of Southern California's Sports Business Institute and professor of sports business at USC's Marshall School of Business. He can be reached at **david.carter@marshall.usc.edu.**

- **Randy Vataha**, is founder of Game Plan LLC. He's a sports investment banker and former pro football player. He can be reached at 617-267-1000.
- **Marc Ganis** is president and founder of SportsCorp, a Chicago-based sports business consulting firm. He can be reached at 312-649-9200.

PART XVI.

COVERING TECHNOLOGY

Tech reporters are a breed of their own, with a distinct set of skills, knowledge and experience. In this primer, G. Pascal Zachary, a former professor at the Cronkite School, gives us the basics. Originally published May 2, 2011.

CHAPTER 73.

HOW TO COVER TECHNOLOGY: AN INTRODUCTION

Journalism about technology spans a few broad but distinct areas, most of which share a common origin in digital electronics. Once known as "high-tech" and now increasingly simply called "technology," the subject covers computing, software, consumer electronics and telecommunications; the Internet, "new" media and "social" media; parts of bio-medicine and biotechnology that rely heavily computational tools; some military technologies such as drones; and some parts of energy technology, especially batteries and solar cells.

Technology journalists also cover the world of scientists and engineers; and the inventors, innovators and entrepreneurs who imagine, build and market new instance of the technologies cited above. Technologists can work in industries or universities, in privately-owned enterprises, non-profits or government-run programs.

The tech beat also includes aspects of economics, especially coverage of the financiers, venture capitalists and government agencies who fund digital innovations; and also the marketing, engineering and management executives who define the projects and products that turn broad innovations into specific products and then bring these products, and future iterations of them, to consumers and the market, not only in the U.S. but around the world.

In recent decades, technology has spawned many important news and analysis stories, about business, economics, society and even politics.

"Tech reporters" usually work out of the "business desk" of a news organization, though sometimes they are grouped together in their own section or as part of the "science section." Technology stories sometimes lead the news, and the since the practice of journalism is being reshaped by new information-technologies, leaders of journalism often learn a good deal about the subject.

No matter where tech reporters work, they are recognized as breed of their own, with a distinct set of skills, knowledge and experience.

This primer aims to provide the basics of technology journalism – and instill an appetite for learning more about it.

CHAPTER 74.

COVERING TECHNOLOGY: FOUR MAIN ELEMENTS

The technology beat is approached in four main ways, each of which is linked to business and the economy. Most tech reporters do all four types of stories, though some succeed by concentrating in a single area.

COVERING PERSONAL TECHNOLOGIES – THE "ARTIFACTS," OR GADGETS OR HIGH-TECH "STUFF" THAT CONSUMERS DEPEND ON

A common approach is to report on how well new gadgets work. The emphasis is on what's new and improved. In doing reporting of this type, journalists do not stray very far from how the "latest and greatest" gizmo compares with the current model. Reporters compare and contrast features, learn how things work (and sometimes don't) and try to scoop one another on the shape of future products. These tasks are difficult. Some reporters become "power users" in order to gain an edge, while others rely heavily on expert opinion to evaluate new products.

COVERING THE COMPANIES WHO CREATE AND MARKET NEW TECHNOLOGIES – AND THE ECONOMIC IMPACTS GENERALLY OF THESE INNOVATIONS

The method of judging the performance of high-tech companies, while generic to business journalism in general, has some unique qualities. Because of the tendency for new technologies to destroy the value of their existing products and business lines, "tech companies" need to constantly innovate, invest heavily in R&D and acquire frequently outside research groups or companies that possess important technical knowledge or complementary products. While all businesses to a degree experience the forces of "creative destruction," tech companies often experience these forces more dramatically.

COVERING THE SOCIAL EFFECTS OF NEW INFORMATION AND COMMUNICATIONS TECHNOLOGIES

Because they possess specialized knowledge and have many sources on technological change, tech reporters are often asked by editors off the business and tech sections to report on trends and even news about social and even cultural trends arising from technological change.

COVERING THE PEOPLE WHO CREATE, PROMOTE AND MARKET POPULAR TECHNOLOGIES

Steve Jobs, Mark Zuckerberg, Sergei Brin, Bill Gates – these people draw as much, or more, coverage than the technologies their companies promote. Humanizing a tech story often means presenting the

personality as central. Reporting on the people behind the technologies is as important as understanding the technologies themselves, and sometimes easier. But access to celebrity technologists is usually tightly managed: interviews are difficult to obtain and critics often suffer retaliation in the form of loss of access.

CHAPTER 75.

COVERING TECHNOLOGY: PEOPLE, FIELD VISITS, DOCUMENTS

Three types of resources nourish technology journalists: people, field visits, documents.

How they take advantage of these resources depends chiefly on time. If they've been assigned full-time to a tech beat, contacts and knowledge build over time. The journalist becomes, if not a specialist, then adept at brokering between his readers and specialists. One resource often leads to many more, making the hard work of mastering the tech beat a form of personal investing. If a journalist is tossed into the tech fray only occasionally, the task is much harder but expectations are naturally lower.

For any reporter-covering tech, either for a day or a decade, the most important resource is people. Some of these people are formally-trained experts; others are self-taught "hackers," who've acquired immense knowledge on the fly. These two kinds of experts serve the same function: they translate technical concepts and jargon into plain English; they teach reporters the essential lingo of the field; they stand ready to help a journalist fact-check the technical aspects of a story on deadline.

Experts alert reporters to what's significant and new in the blizzard of information about mature and emerging technologies. They help reporters decode new "buzz words" and evaluate competing claims about similar products and services. Experts also help reporters check the veracity of claims, and help them fix mistakes – before they are published.

BEST TECH SOURCES

The best tech sources are people who work close to the cutting-edge, with a front row seat to view what's coming next out of the lab and into the market. Good tech journalists will maintain a list of dozens of these people, often "checking in" every week or even every day. Over time, a small number of stars will emerge: experts with a commitment to helping the journalist present a balanced and accurate picture of both established and emerging technologies.

Universities are one place to look for them. Professors are valuable because they see the "big picture" and usually are independent, without financial ties to companies who market technologies. Find profs with a flair for clear, simple, and accurate explanations. Product designers and strategists at companies also can provide clear explanations and valuable assessments of rivals. Public relations people, while often inflexible, self-serving and simplistic, sometimes can quickly provide guidance and even inside dope – on deadline. A rare PR person can even become a trusted source.

Gadflies, insurgents and trouble-makers also are important, perhaps more so in tech than any other

area of reporting. University dropouts and social rebels have a long history of success in high-tech fields. Some insurgents are kooks and time-wasters of course, but a select few can strip away hype, putting technical advances in accurate and fair context. They also can provide inside sources willing to speak knowledgeably about urgent issues.

REPORTS

Published reports on new technologies, especially from U.S. government agencies, are valuable background, to be read at the outset of reporting on a field. Marketing companies produce scads of technology reports, but many are commissioned by the very companies whose products they tout. These reports should be used with caution. Suppliers of new technology can also usually provide clear, reliable and relevant information about how their technologies work and what they deliver. But companies often fail to highlight how these technologies fall short of expectations and how they compare to similar technologies offered by rivals. Investors, and especially a special class called "venture capitalists," who assist "early stage" and private companies with obtaining funds, talent and strategies, can sometimes provide timely guidance about new markets and innovations.

CONFERENCES

One easy way for tech reporters to meet many plugged-in people fast is to attend industry conferences. The tech industry is organized around product categories; each has periodic gatherings, such as Demo and TechCrunch Disrupt, where executives show up new stuff. University researchers also hold confabs. Because of the cost of attending conferences, reporters must choose them carefully – and look for those happening close to home.

Final, read the competition, especially trade journals who specialize in following closely specific companies and technologies.

CHAPTER 76.

COVERING TECHNOLOGY: CHALLENGES

In this section, we look at the common mistakes made by tech reporters and how to avoid them.

"THE PR PERSON MISLED ME."

It happens. Mostly commonly, tech PR exaggerates potential. Even skeptical reporters are sometimes defenseless against hype.

How do you defend yourself against PR spin? One way is to go to the PR person from a rival company, or a promoter of a competing technology. The PR rival often has plenty of reasons why their rival will fail. The quickest way to puncture the hype and exaggeration presented by one company is to go to a competitor.

Hype by scientists is harder to identify. One red flag: when scientists also have their own companies, apply extra scrutiny to technical claims.

"I CAN'T UNDERSTAND THE BASIC TECHNOLOGIES."

You may never understand them. Electronics is based on complicated physics and mathematics. Ultimate understanding of, say, how a new data-storage device works, may be impossible. One workable compromise is to identify people who do understand these technologies, poll the views of at least three of them, tally their common conclusions and then identify inconsistencies. Points of disagreement can be looked at more closely. If disagreements remain, tell the reader: not even experts agree on whether the new technology will work or not.

"I CAN'T PREDICT THE FUTURE"

No one can. But tech reporters are constantly asked to provide insights into the new big thing – or at least a warning on what's around the next bend in the road. Fortunately, many scientists and engineers specialize in looking ahead. There are even professional futurists. Finally, learn how to qualify your predictions by presenting several "scenarios." Rather than betting on one outcome, present a range of possibilities, each supported by reasonable forecasts.

"I'M A PRISONER OF MY SOURCES."

In technology reporting, knowledgeable sources abound. People too eager to help may be pushing their own agenda. Check their claims with other experts who don't have a direct stake in your story.

"I OVER-SIMPLIFIED."

In trying to write simply and clearly about tech, you can sometimes introduce errors and distortions that draw complaints, erode your credibility and even force you to publish corrections. Clear and reliable explanations of technological change are a moving target. Twenty years ago, writing about the Internet required an elaborate explanation about how the vagaries of computer networks. Today, the Web is a plain English word known by nearly everyone.

"THIS ALREADY HAPPENED."

Never write that a technological breakthrough is the first or the best, unless there's overwhelming independent evidence in support of the claim. Often there isn't time to learn the history of a field, so avoid grand claims. If you have time, learn the key milestones of your technology beat.

"BECAUSE I MISSED THE LAST BIG THING, I'LL CALL EVERYTHING THE 'NEXT BIG THING' – AND NEVER MISS ONE AGAIN!"

Journalists have a history of ignoring major shifts, especially in individual technologies. The integrated circuit, invented in Bell Labs in 1947, merited only a few lines in the New York Times and was widely ignored for many years. Few gave any attention to Facebook or Twitter when they launched. The examples of media ignoring the next big thing are legion. So journalists should be careful before dismissing out of hand any innovation. But the answer is careful, if brief review. Avoid declaring every promising innovation "the next big thing." They can't all be.

"AM I ROOTING FOR THE HOME TEAM."

Technologies compete on a global field; the innovation leaders in your home town play an international game. Because you're the sources and subjects in your city or region are more accessible, you tend to take on their view of the world. For a reporter who finds Google or Apple in his or her "backyard," adopting the outlook of the "home team" may make for good journalism. But even technology pacesetters have blind spots, and journalists should fight against adopting them. The best therapy for the home-team disease: talk regularly to tech leaders in other geographies.

"I SUFFER FROM AMNESIA."

The past often provides parallels about the present. Many technology challenges of today, especially in business, can be at least partly illuminated by quickly looking at past experiences. In choosing historical analogies, cast a wide net. Draw on the many professors of history who specialize in technology. One benefit: older technologies are more familiar, easing the burden of explaining how things work and opening space for highlighting complexity.

Henry Petroski's superb history of the pencil, for instance, contains an extraordinary chapter on the global competition for leadership in pencil-making – and the push 100 years ago by the U.S. government, and leading American technology companies, to wrest away global leadership from Germany, which then dominated pencil technology.

Technologies move so fast that often there seems to be no time for looking backwards. But getting into the habit of doing so has another benefit: some innovators actually relive the past. Some technologies presented as new actually aren't new at all. They were tried before – and failed for reasons

that might help you assess the latest instance. One example is all-electric cars: reportage of new efforts to market an all-electric can be enhanced by recounting GM's failed attempt in the 1990s.

CHAPTER 77.

COVERING TECHNOLOGY: CORE CONCEPTS AND TERMS

Technologies are protean, so the technology journalist is always re-defining what he covers. Specific gadgets and gizmos come and go. Ten years ago, the world new nothing of Twitter, Facebook and the Iphone; today these are staples of the journalism about information technology. Change is constant. Entire "platforms" – the cable set-top box, the mobile phone, even the car dashboard – undergo revolutions. Wholly new "technological systems" emerge.

While technologies constantly change, essential **business and economic** concepts endure. These concepts illuminate the technological landscape for the journalist. Most innovations survive because they win in the economic marketplace; few depend decisively on government support. To understand These 12 concepts below apply across types of technologies and industries:

BUSINESS MODEL

Successful innovations generally need a way of paying for themselves. The term "business model" refers to the manner in which a technology gets paid for. The most common model is the sale of individual products to large numbers of people. Another model involves "subscriptions." The cable company Comcast doesn't try to sell you its service each month, but rather for a long time. This model involves making it costly for the consumer to switch. A third model calls for giving away a basic product for free, then selling add-ons.

In practice, even successful technologies can lack a business model, calling their future into doubt. Youtube, for example, is wildly popular, but attracts little advertising and scant revenue. Youtube may be an example of innovation that's socially successful but economically a failure. Or perhaps the company will learn through trial-and-error what business model is "right" for it.

CREATIVE DESTRUCTION AND DISRUPTIVE TECHNOLOGIES

New technologies often succeed by destroying existing ones, and "disrupting" businesses, forcing them to adapt or die. Often, even entrenched technologies succumb to the forces of "creative destruction." The term was coined by an Austrian economist, Joseph Schumpeter, who argued that the birth and death of industries was an inevitable consequence of technological innovation.

INTELLECTUAL PROPERTY

Ideas and knowledge – about design and processes especially – are critical to creating value from innovation. The real value of an Iphone, for instance, lies in the "intellectual property" – the copy-

rights, patents and trade secrets – that animate the design and manufacture of the device. The value of ideas – and the need to protect that value – unites technology companies around a new business model that depends on profiting from the "marginal costs" of copying ideas easily and quickly.

MOMENTUM OR PATH DEPENDENCE

Why do some technologies persist, even after new ones become common? Examples of "old tech" surviving are legion. Television didn't kill radio. Bicycles survived the advent of cars. Even the pencil, a celebrated breakthrough from the 19th century, survived the arrival of the pen. One reason is what the historian of technology Thomas Hughes calls "momentum," or what the economist Paul David calls "path dependence."

The gist of this powerful concept is that old habits are hard to break; having started down a path, society often sticks with a technology because the costs of changing are too great.

"Path dependence" is thus the flip side of "creative destruction." Not everything gives way and sometimes tradition wins, sometimes because old technologies get reinvented. The gas-powered car gets new life from n electric battery. The radio, which people once listened to in their living rooms, becomes portable, and gains new uses. New manufacturing techniques make glass lighter and stronger. In explaining the persistence of mature technologies, British historian Harold Edgerton refers to "the shock of the old."

MOORE'S LAW

Gordon Moore, cofounder of Intel, some 40 years ago came up with a simple trajectory: the cost effectiveness of electronic devices double every 18 months. "Moore's law" is more of a marketing reality than a physical law. In the case of computer-data storage, price-performance improvement have come even more rapidly. Falling prices for electronic gear have the effect of making possible the unimaginable: movies played on iPhones, entire music libraries stores on devices the size of a quarter, and digital cameras with all the bells and whistles of analog cameras from a decade ago (and sold for a fraction of the price). One looming specter over the entire technology scene is whether "Moore's law" can continue indefinitely into the future.

PLATFORM OR STANDARDS

Technologies have to work with other technologies, and when they do, they form a "platform" built around a set of "standards" that companies agree to follow or, in some cases, the government imposes on suppliers. The DVD player is a typical platform; every DVD shares a certain technical standard that enables all DVD players to play all DVDs interchangeably. Windows is another platform or standard; creators of code write to a set of specifications that define the Windows standard and insure, basically, that all Windows programs will work on all Windows computers. Standards offer new companies an easy way to piggyback on an existing market. But standards also limit innovation.

OPEN PLATFORMS VERSUS CLOSED PLATFORMS

When creating new technology, perhaps the most important business decision is whether to be "open" or "closed." Most new mobile phones are open, meaning they work with any cellular network; these phones also are "open" for any applications written to their specifications. By contrast, Apple's iPhone

originally worked only with one mobile network (AT&T) and all Iphone applications required the approval of Apple itself.

The "closed" iPhone has the benefit of greater consistency but generally higher cost because closed systems are mini-monopolies. Makers of new technologies often talk about openness but in practice the benefits of being partly closed are so great that they stop shorting of being totally open. Ink-jet printers are an excellent. Hewlett-Packard's printers work with every computer and so they qualify as open. Yet the ink-cartridges are closed; the only source is HP. Thus, partly open systems are common because – like Gillette and its razor blades – they enable a company to sell a platform inexpensively and then recoup their profits by selling essential parts. Printers, for instance, are often sold very cheaply because the manufacturer expects to earn handsome profits on ink.

OPEN SOURCE

Technologies that are free to the public, and freely modified, are known as open-source. Some of the most popular software programs, such as the Linux operating system or the Firefox browser, aren't owned by anyone. These "open source" technologies compete against one another and against "proprietary" products based around "intellectual property" vigorously defended by owners. Not all free tools, however, are open source. Google's search services are free, but users cannot modify them or make them their own.

NETWORK EFFECTS

Platforms and standards are linked to one of the most important aims of any successful technology: gaining and keeping market share. Market share is always important to businesses, but probably even more to technology businesses because of a process called "network effects."

The principle is simple to grasp but hard to carry out: the more people who use a network, the greater the network's value. Thus, Google gives away its search service because it can sell advertising to those who use it; the more users, the higher the advertising rates. For some technology companies gaining market share is more important than profits; there entire business resembles a "loss leader." The goal is to gain enough followers that their "network" reaches a "tipping point," suddenly becoming valuable.

The web-TV service, Hulu, illustrates the process. Hulu began giving viewers for free the chance to watch television programs whenever they wanted. Once enough viewers got accustomed to visiting Hulu, the company began finding ways to sell them entertainment.

Even hardware companies sometimes pursue market share over profits for essentially same reason: the original decision to, say adopt an Intel microprocessor, "locks in" a consumer; switching becomes too costly, enabling Intel to increase profits once its "installed base" is large enough. Cable companies work on the same principle. Getting customers can be costly, but if you keep them, they are akin to annuity.

TECHNOLOGICAL SYSTEMS

New technologies often can be declared dead on arrival if they fail to take advantage of an existing technological system. Imagine for instance the fate of a new airplane that can travel faster and less

expensively than existing planes and can even be built for less. But the plane requires extra-long runways that make landing in existing airports impossible. In short, the plane is terrific but requires every airport in America to be rebuilt. Can this airplane succeed commercially? Not likely – because air travel is a technological system that demands each piece to work in concert. Purely electric cars face the problem: no charging stations. The lack of a technological system to support a new innovation isn't always lethal. Technological systems cane be constructed around great new technologies. But that takes time and often demands that society gains tremendously from the change. And that rarely happens.

UNINTENDED CONSEQUENCES

Technologies get popular for reasons inventors didn't anticipate. The telephone was conceived by its inventor, Alexander Graham Bell, as a way to broadcast music and news – as a kind of radio. He never imagined that the technology's chief use would be for two individuals to talk to each other over a single line.

Similarly, the leading computer designer of the 1950s predicted that the a mere dozen computers could satisfy the demand for computation in the entire U.S!

Conversely, technologies sometimes "bite back," as Edward Tenner has noted, harming society in unanticipated ways. No one, for instance, ever anticipated that one effect of the iPhone would be "distracted" drivers. Because new technologies have "unintended consequences," monitoring how society adapts them – and is changed by them – is an important part of technology journalism.

THE BEST TECHNOLOGY DIDN'T WIN OUT

Scientists and engineers often embrace technological "determinism," insisting without much reflection that the best technology ought to win out. But for a variety of reasons, commercial success in technology isn't a science experiment.

Many times, the winning technology standard is demonstrably weaker than competing standards. And to supplant an existing technology, an improved one cannot be only slightly better. The replacement usually must be an "order of magnitude" – more than ten times – better than what's existing. Improvements on such a scale often do occur, thanks to "Moore's law," but advances by themselves don't insure success in the market either.

Sometimes inventors and entrepreneurs who are "fast followers" – skilled at packaging breakthroughs made by others – end up gaining commercial advantage. "Fast followers" take advantage of the reality that technology leaders often release products before the market can absorb them. The failures of trailblazers often set the stage for success by others who took the trouble to learn more completely the valuable lessons from the introduction of a novel product. The iPod is a great example of this tendency. Apple wasn't the first maker of an MP3 player – not nearly – but the companies who pioneered the technology failed to grasp what consumers wanted. Apple combined slick industrial design and ease of use with an underlying technology first developed by others. "Fast following," rather than being first, often defines success.

PART XVII.

COVERING TRANSPORTATION

Like transportation itself, covering it is a beautiful thing when it works. When it doesn't, the failures are out there for all to see. Bernie Kohn, team leader at Bloomberg News, outlines basic building blocks for smart transportation coverage. Originally published May 2, 2011.

CHAPTER 78.

HOW TO COVER TRANSPORTATION: AN INTRODUCTION

Your job as an airline/rail/transportation writer is to make sense of the business of moving people from place to place.

It's a beautiful thing when it works. When it doesn't, the failures are out there for all to see. And that's what makes this beat so much fun – that very little of how it runs is secret.

This makes your readers, listeners and viewers self-appointed experts. They will keep you on your toes. You may not be able to be on the story before your readers are, so you need to understand it better.

Here are some of the basic building blocks of smart business coverage of transportation:

UNDERSTANDING THE ECONOMIC FORCES

Travel is one of the sectors most sensitive to the health of the economy. When businesses are struggling, one of the first things they cut is travel. Teleconferencing is an increasingly viable alternative to travel as technology improves. When households struggle with their budgets, they may stick close to home on vacation or not go on vacation at all. There is little the airlines can do to stimulate travel except cut prices, which they do with the thought that getting some revenue for a seat is better than none at all. But filling a cross-country flight with people paying $198 a head does little good, either. Understanding cost components is critical as well. The big two are labor and fuel. Jet fuel prices are more volatile than gasoline prices. And because travel businesses are extraordinarily capital-intensive – nobody can pay for new jets out of petty cash, after all – interest rates and the debt marketplace play huge roles in these companies' fortunes.

FOLLOWING THE MONEY

As with any business beat, a basic grounding in revenue, profits, and balance sheets is essential. Travel has its own financial benchmarks as well. The amount of money they take in per widget must exceed their costs of making that widget. In this case, the widget is one passenger traveling one mile (a passenger mile).

The way airlines set prices is so complex that they must employ some of the world's most powerful computers to keep it all straight. This system, known as yield management, explains why someone booking a flight a month from New York to Los Angeles a month in advance might pay as little as $300 roundtrip while someone flying from Boston to Augusta, Maine, on two days' notice might pay

that
much one way. Yield management is, as its core, the science of extracting the most money out of customers based on their willingness (or need) to fly. You may never make sense of yield management, but it's essential to understand its principles.

KNOWING THE EQUIPMENT

Educate yourself on the hardware your companies use – whether it is a Cessna, a Boeing 737 or a General Electric locomotive. Become familiar with their principles of motions, their performance limits, their parts, their most common areas of breakdown.

KNOWING THE PEOPLE

The tools of front-line transportation industry jobs have changed over the years, but the tasks are remarkably little changed from a generation ago. Get to know the duties not just of pilots, flight attendants and mechanics, but dispatchers, schedulers, gate agents and ground crews – the people who really make a transportation system run.

UNDERSTAND THE SERVICE EXPECTATIONS

As recently as a decade ago, sandwiches were served to passengers on domestic flights of 90 minutes. Now, soft drinks, peanuts, even blankets and pillows have been sacrificed to the bean counters. That being said, the airlines' ability to get you to your destination on time, to get your bags there along with you, and not bump you off a flight for which you have a confirmed reservation is monitored by the federal government, holding the airlines to a standard of avoiding embarrassment.

REGULATION

Travel remains one of the most regulated segments of the U.S. economy – so regulated, in fact, that oversight can be overlapping, conflicted or vague. For example, the National Transportation Safety Board, despite its name, does not regulate safety. Its role is limited to investigations, research and recommendations. It has no power to enact anything – as told powerfully last fall by a News21 student journalism project chronicling how the Federal Aviation Administration has ignored hundreds of NTSB recommendations over many years. The railroad industry has separate regulators for safety and economic issues and Amtrak, while supported by taxpayer dollars, is an independent government-chartered corporation. Trucking and bus operators and shipping lines have their own regulators. States or local authorities operate airports under federal supervision. Understand who regulates what, and what powers they do and don't have.

CHAPTER 79.

COVERING TRANSPORTATION: KEY RESOURCES

U.S. airlines were deregulated in 1978. Railroads were deregulated in 1980.

Well, not really.

While operating ostensibly as private business for three decades, commercial transportation companies are required to disclose virtually every detail of their operations to various federal, and sometimes state or local, government agencies. This is true for privately held companies as well as ones that are publicly traded.

Once these exhaustive statistics were available only to media organizations rich enough to buy subscriptions from government vendors. Now all you need is the Internet and elementary-level proficiency on Excel.

These statistics provide the essential grounding – along with shoe leather – in covering transportation in local communities.

DIGGING INTO THE DATA

The bible of transportation data is the web site of the U.S. Bureau of Transportation Statistics. Many reporters know BTS for its airline statistics, but it also features operating numbers on freight railroads and other modes. The types of data available on the BTS are too numerous to list here; spend a few hours on the site to get familiar with it. Its archive goes back decades. (I recently used it on deadline to find the average load factor, the percentage of available seats occupied by paying passengers , on U.S. airlines in 1973).

This information is not just national. There are links to break down information to any of the approximately 450 U.S. airports that have commercial flights.

Through BTS and the monthly consumer reports from the U.S. Department of Transportation, a reporter in, say, Poughkeepsie, New York, can maintain a running report what percentage of the airport's flights arrive and depart on time, how many passengers the flights carry and, for many cities, their most popular destinations. For the 30 largest airports, the DOT breaks out the percentage of flights that arrived on time each month for every one-hour block of the day from 6 a.m. through 11 p.m. Monthly numbers on departures and arrivals for every commercial airport are available on

the Federal Aviation Administration website local airports keep these and should provide them upon request.

A similarly rich level of detail, from national through every city it stops in, is available from the monthly operating reports on Amtrak's website. From the home page, click on "News and Media" at the bottom, then on "Reports and Documents." These reports are almost as exhaustive as BTS statistics. A reporter working in the state of Michigan, for instance, will find that its intrastate line was the worst in the country in on-time performance in late 2010.

Freight railroad operating statistics can be obtained through the Surface Transportation Board. Railroads must also file with the STB if they want to abandon services that generate little traffic or are no longer used. These filings can be found on the web site.

Trucking companies and bus lines have their own federal regulator, the Federal Motor Carrier Safety Administration. All truck lines with more than $3 million in annual operating revenue must file annual reports with this regulator.

TRACKING SAFETY REPORTS

Safety information can be obtained through the website of the National Transportation Safety Board. The NTSB investigates all commercial transportation accidents in the United States. In addition to the NTSB's records and archives on accidents and investigations, there are two databases for information on aviation safety – the Federal Aviation Administration's Accidents and Incidents database, and the lesser-known Aviation Safety Reporting System maintained by NASA.

The latter is a voluntary system used by pilots and other aviation personnel, usually anonymously, to report incidents they experienced or witnessed. Often these incidents are not found in the accident and incident database and provide early windows on trends.

The railroad industry's safety database is available through the website of the Federal Railroad Administration. Check records through the business or transportation regulator in your state as well – some states maintain certain regulatory authority over railroad facilities despite the presence of the FRA.

CHAPTER 80.

COVERING TRANSPORTATION: FINDING LOCAL ANGLES

Transportation systems are run by people making judgment calls that technology cannot make for them.

To know what you're covering, you have to know who you're covering.

Seeing transportation workers on the job is more difficult today than it was before Sept. 11, 2001. Security restrictions mean you probably won't be able to haul bags with an airline ground crew, sit in with a locomotive engineer or staff a station at an airline ground-control tower, as reporters once did with relative ease. But there is much to be learned on the public side of the security firewall.

MAKE CONNECTIONS

Station managers at airports or train stations not only know everything about what is going on in their domains, they can educate you about larger operating issues and guide you to other sources, even if they're not willing to be quoted. Schedule monthly background conversations with these people.

Correspond with every transportation industry worker who e-mails or calls you, even if their tone starts out angry or belittling. The mere act of getting back to them will often disarm their anger. From there, the right approach can turn them into valuable sources.

LEAVE YOUR DESK AND EXPLORE

Go to any event that gives you a chance to mingle with these people. "Get to the airport whenever possible," says Ted Reed, who has covered the airline industry for two decades for the Miami Herald, Charlotte Observer and TheStreet.com. "Take them up on every invitation, no matter whether it's newsworthy or not – anything that gets you in front of the key people."

If you're covering a particular airline in a city where it has major hub operations, there are probably union officers in your community. Get to know them at their favorite sandwich shop or watering hole, which most likely will be just off the airport grounds – and bring you into contact with rank and file employees.

"They may be reluctant initially, but you don't have to go out of your city to have lunch with a top union official," Reed says.

DIG BEHIND THE NUMBERS

The U.S. Bureau of Transportation Statistics keeps exhaustive statistics on a monthly basis about every commercial airport in the United States; Amtrak does likewise for every route, including intrastate ones it operates under contract to state or local governments. You can track how many people come and go, where they're going, how much they pay on average and how often they get there on time. You can track market share changes, month to month, for every airline that operates at your local airport.

Follow the money that flows through your local airport out of the so-called passenger facility charges that travelers pay on every ticket. Most U.S. airports assess these charges to pay for airport improvements. You'll find how much your local airport charges – most charge $4.50 a flight segment, the most allowed by law – and how much money they're due to collect from PFCs.

CHAPTER 81.

COVERING TRANSPORTATION: COMMON ERRORS AND HOW TO AVOID THEM

A jet with 130 passengers on board is reported to have had an engine go out on approach for landing. The captain is in communication with air traffic control, seeking permission to land on a different runway. TV goes live. Against images of the plane gliding in for a landing, the anchors speak in hushed tones, seemingly awaiting a scene of destruction on the ground or heroic action by the pilots to avert disaster.

What you won't hear is that every airplane in commercial service in the United States is designed to operate with one engine malfunctioning. An aircraft cannot get certified by the Federal Aviation Administration otherwise.

Pilots are required to undergo periodic training in so-called unusual attitudes. Landing with an engine out is considered one of the less unusual. Unless it implodes with shrapnel puncturing a hydraulic line or creating a hole in a wing, an engine malfunction may be a non-event.

Overreaction to common incidents that rarely if ever endanger passenger safety – an engine out, a blown tire, landing gear stuck in the down position – may be the most prevalent error in covering transportation. It may ruin credibility with sources and expose the reporters – often with justification – to charges of "sensationalism."

Other types of incidents to check out, but keep in check:

UNSCHEDULED LANDINGS

These are almost always precautionary, often over something as minor as a malfunctioning cockpit light. Veteran airline reporter Ted Reed, of TheStreet.com, recalls that a US Airways redeye flight from Las Vegas from Charlotte would often have to make unscheduled landings to have drunk passengers removed.

BIRD STRIKES

The "Miracle on the Hudson" landing in January 2009 by US Airways Captain Chesley "Sully" Sullenberger, after both of his plane's engines sucked in geese and stopped working after taking off from New York's LaGuardia Airport, raised awareness of the issue but was a once-in-years event. Bird strikes are a costly problem for the airlines because they can ruin engine components, but they're

rarely emergencies since the chances of flocks of birds being sucked into both engines simultaneously is so small.

SECURITY INCIDENTS

In part because airport personnel bring on the overreaction by clearing out terminals if they think someone may have gone through security checkpoints without being cleared. "There's never been a terror incident that stemmed from somebody erroneously going through security at the airport – never," Reed says.

CHAPTER 82.

FROM CODE SHARE TO MAINLINE: A GLOSSARY FOR COVERING AIRLINES

Here's a list of key terms and lingo to help you navigate airline stories:

Available Seat Miles

A measure of capacity on a plane or train. Calculated by multiplying the number of seats by miles traveled.

Bank

Group of flights scheduled to leave a hub (see below) airport at about the same times for connecting purposes (see below).

Bump

The practice of denying a seat to a passenger with a confirmed reservation when a flight is oversold (see below). Bumped passengers must be compensated under U.S. law.

Cabotage

A right granted by some governments to foreign airlines to operate domestic flights within their country. Cabotage is forbidden in the United States.

Code share

A marketing agreement under which two or more airlines share a two-letter designator code used in computerized reservations systems, so it appears that itinerary is on one airline. Most often used by major airlines and commuter/regional partners (see below).

Commuter

A small airline that usually operates under contract to a large airline to carry passengers from small towns to their hub. These carriers, also known as regionals, usually operate under a derivative of a major carrier's name, such as American Eagle or Delta Connection, and may be either independent companies or subsidiaries of a large airline.

Connection

A flight itinerary that involves changing planes, usually at a hub airport (see below).

Contract of carriage

The airline equivalent of terms and conditions when downloading a piece of software. You are assumed to have accepted this contract when you buy a ticket. It limits your rights and the airline's liabilities when certain things go wrong, including when your luggage is lost on international flights.

Cost per ASM

The key measurement of an airline's operating expenses. The bookend component of yield (see below).

Direct Flight – one that goes from one city to another without involving a change of planes. A direct flight is NOT necessarily nonstop.

Fixed-Base Operator (FBO)

A company that operates a general-aviation (see below) airport or general-aviation portion of a commercial airport, under contract to an airport authority or municipality.

General aviation

Private or corporate aircraft, as opposed to commercial flight operations.

Hub-and-spoke

A route system in which an airline funnels most of its flights through several large airports where passengers have to change planes. Most domestic U.S. airlines use a hub and spoke system, with Southwest Airlines being a notable exception.

Load factor

The percentage of available seats occupied by paying passengers. A key measure of operating performance for airlines and Amtrak.

Mainline

The "major-airline" part of a route network that also involves regional airline partners. Mainline employees are covered by their own union contracts and are usually paid significantly more than employees at partner carriers.

Narrow-body

An airplane with one aisle between the seats.

On-Time performance

A key measure of service if somewhat of a misnomer. The definition of "on-time" for regulatory purposes is a flight or train that arrives or departs within 15 minutes of its published schedule.

O&D

Origin & destination traffic, as opposed to airline traffic and passengers that travel through a hub airport and connect to someplace else.

Overbooking

The practice by airlines of selling more seats than exist on a flight, to protect themselves from no-shows.

Ramp

The area next to terminal building where baggage is loaded and unloaded.

Passenger Facility Charge (PFC)

A fee of up to $4.50 per flight segment added onto airline tickets, to pay for airport improvements.

RJ

Short for regional jets, planes that typically have 70 or fewer seats and used to fly between cities where there is not enough passenger demand traffic to fill a larger plane like a 737.

Turboprop

Planes driven by piston engines with propellers rather than jet engines. These are being phased out by regional jets.

Wide-body

An airplane with more than one aisle running between seats.

Yield

The amount of revenue, in cents, per passenger per mile flown. This is the key measure of revenue for transportation providers.

Yield management

Complex computer program intended to price each seat to get the most amount of money possible.

CONCLUSION

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