



Broadcasting & Cable

Local TV

The Great Auto Dealer Closure Debate

Opinions vary on how stations will be affected by mass dealership shuttering

By Claire Atkinson -- Broadcasting & Cable, 6/1/2009 12:00:00 AM MT

With General Motors closing 1,100 dealerships and Chrysler cutting 789 franchises, many industry observers believe this is yet another punch to the chin of the beaten-down station business.

But there are also those who don't anticipate much fallout, and even see some long-term upside.

"What happens if dealerships are fewer and larger? Do they spend more or less per vehicle on TV?" is the question of the day, in this case asked by veteran broadcasting analyst James Dix of Wedbush Morgan Securities.

Michael Alcamo, president of boutique investment bank **M.C. Alcamo & Co. Inc.**, which is advising several station groups on the deal market, says the collapse of the domestic auto industry will have far-reaching implications for the profitability of local broadcasters.

"Local stations incurred debt for the digital transition, anticipating more profits from ad inventory," he says. "That equation will have to be readdressed. We might see a number of stations in markets on the cusp discontinue their local news programming."

Alcamo points out that almost 2,000 dealerships closing could translate to the disappearance of 10 accounts in each of the 200-odd media markets.

"We'll have to see how it plays out," says Chris Rohrs, president of the Television Bureau of Advertising (TVB). "The theory behind dealer closing is to strengthen those that prosper. There will be a mix of pain and gain from our point of view."

Station groups, however, say it might be easier to do business with one dealership instead of many. "It's a short-term problem; the marginal dealerships didn't spend much anyway," says the head of one media company. WCSC Charleston VP/General Manager Rita Little says the Raycom station has learned not to depend too dearly on car dealers.

TVB's data for the fourth quarter of 2008 ranks Chrysler as the No. 3 ad spender with stations. The company's ad spending was down 29.2% from a year ago to \$88 million.

General Motors Corp. ranked No. 11 and had increased its spending by 10% to \$63 million, while its dealer association reduced spend by 69.4% to \$38 million.