**Fairfax Media’s proposed restructure: a response by MEAA**

**Part A: The future is investing in journalism**

Fairfax Media’s unique proposition in an increasingly crowded Australian media landscape is its integrity, its independence and its ability to execute fearless, quality journalism at scale. No other media company in Australia is able to do this.

Ever since Fred Hilmer let the emerging digital advertising companies slip through his fingers, Fairfax Media has been managing journalism for decline, not investing for its growth. That has to change.

Fifteen years into the “future of journalism” it is time the board embraced a different strategy.

Journalism on its own almost never makes a profit; it has always been a cost centre – and, if done properly, an expensive one at that.

Historically, most media companies, including Fairfax Media, have paid for this journalism from the print classifieds associated with the large audiences around their mastheads.

That advertising has now effectively migrated to Google and Facebook and without global, co-ordinated state intervention, or the forced break-up of their monopolies, it will remain there.

Since David Kirk was Fairfax CEO the company has realised it must diversify and it has had some successes. TradeMe helped stabilise the ship and its sale allowed the company to move out of debt.

The continued real-estate boom in Australia has underpinned the growth of Domain and it has become the pre-eminent real-estate company for the high-end market.

While not yet profitable, the Stan joint venture shows promise and while there have been some flops, the events business has also brought welcome revenue and diversification for Fairfax.

However, the company needs to be even more ambitious at building companies that grow revenue. It could consider leveraging its education and associated media coverage to diversify into education services, which is an ongoing boom industry in Australia and the Asian region.

As it diversifies, Fairfax needs to remember that the core strength of existing brands – Domain, Events – is a continued association with the heart of the company: quality, independent journalism.

Events like the Age City2Sea and the Sun Herald City2Surf, or the Night Noodle Markets as part of Good Food Month, have flourished because of their association with Fairfax journalism.

Would the proposition of The Store be worthwhile if it was not connected to a high-quality, prestige brand that Fairfax’s journalism still provides, despite the decade of cuts?

People are willing to engage with those brands – and spend money around them – because of the intangible but no less real association with 185 years of quality journalism.

This needs to remain a core strategy for Fairfax.

If the quality of that core brand is diminished there will be a negative financial impact on the brands and businesses Fairfax has built or will build around its core business.

The profits from print classifieds during the ‘rivers of gold’ could deliver handsome profits and these in part were reinvested into journalism to ensure the audiences around the classifieds remained strong and loyal.

Times have changed but that virtuous relationship between journalism and associated revenue initiatives needs to remain, albeit within the new media and financial terrain that now exists.

The Sydney Morning Herald, The Age and The Australian Financial Review attract the largest number of ‘eyeballs’ to Fairfax Media product than at any stage in its history.

The proposition that Australian Media Publishing should stand alone as a profit centre is ludicrous; it would break all the known financial laws of journalism. Even The New York Times is struggling to make any money out of its journalism.

Adopting McKinsey-esque phrases concerning such as AMP needing to “wash its face in public” are not only insulting, they completely misinterpret the business models that can sustain journalism.

High-quality, independent journalism does not just provide an important social good for Australian society, though it certainly does, it is also a vital asset that Fairfax Media’s associated businesses need to leverage to ensure strong revenues.

It has been argued that profits from Domain or Events or other Fairfax businesses cannot be used to sustain journalism due to fiduciary responsibilities of the board to shareholders.

This is a ridiculous – and wrong – argument.

The contrary is the case. The board has a duty to build flourishing revenue-making businesses. It can do this by ensuring a strong and continued association between existing and future brands and the quality journalism at the heart of the company.

That takes investment, but it is investment for the future, it is investment for growth rather than management for decline.

**Part B: Restructuring the newsroom**

There is an old joke that a man lost in the countryside asks a farmer what’s the best way to get to the city. The wise old farmer replies “I wouldn’t be starting from here if I were you.”

The current restructure process under way in Australian Metro Publishing is starting in the wrong place. It is asking the wrong questions.

MEAA rejects the company’s assertion that the place to start its restructure is by pulling a figure out of the air - $30m – and then aim to cut our cloth to fit.

We must first determine what sort of suit we wish to wear and then determine how we build a financial model to sustain it.

The approach Fairfax took to the Sunrise restructure was a far better way to work. It started by asking where journalism was going and what do our audiences want.

We need to do the same again but with more detail.

What platforms will people likely be using in the next few years to access journalism? What technology do we need to do this? How do we manage expectations around quality on our digital offerings while also ensuring we get the continued high volume of traffic? Is a subscription model going to emerge as the best way to build our brands?

We cannot cut our way to prosperity.

The Boston Globe recently completed a near 12-month consultation and restructure process. It is ridiculous to think that Fairfax Media can build a sustainable business after a three-week so-called consultation with staff.

The company needs to stop relying on rehashed reports by Boston Consulting and listen even more closely to our audiences and to the journalist staff.

**Part C: Cost savings in Australian Published Media**

Rather than investing in journalism and restructuring for the future of journalism, the company seems hell bent on continuing to manage for decline by once again reaching for the bluntest tool in the box: cost cutting.

MEAA has called on Fairfax to remove the $30m gun from the head of its workforce and consult in good faith about the future of journalism at its great mastheads.

The company has refused to do this. Be that on its own head.

Journalists and others in the company are being asked to bear the burden of a board that still seems to be managing for decline. However, senior managers up to the CEO still continue to pay themselves 1980s salaries like they still have the rivers of gold and work on mahogany row.

They need to get real and cut their own salaries before they start to cut the journalism we do.

As a start, any bonuses should be connected to revenues only and not to cost-cutting. Why should the top 1% of the earners in the company earn more by taking the lazy route and cutting costs without building revenue?

The company wishes to cut APM’s budget but has rejected as “irrelevant” a request by MEAA to cost what a similar proportional cut to senior executive salaries and bonuses would amount to.

That saving should be invested into APM’s journalism.

Fairfax Media needs to put its money where its mouth is.

We reject the approach of austerity, however MEAA offered some proposals for cost-savings based on the confidential information with which we were provided.

In summary, we proposed cutting the non-staff costs in half (including contributors and some agency costs). This, we argued would allow for the majority of savings to be outside staff costs.

While we would never condone any redundancies, we suggested that if the company was insistent on an austerity approach to running the company, then this alternative cost-saving would allow for a much smaller redundancy round that could be achieved by voluntary redundancy and attrition by the end of FY18.

**DOMAIN**

Domain started as a pull-out section of the Sydney Morning Herald and The Age. It has blossomed into a multibillion dollar stand alone business that will soon be floated as a Fairfax controlled entity.

Its market value is in part sustained by its association with our great mastheads. People will go to Domain above its competitors as it is seen as a better product partly because of this association.

Our print and digital products help promote and sustain Domain. Print wraparounds, print advertising digital advertising, the placement of the “Property” section on our websites, the obligatory links to Domain stories in the “Time Out” section of our websites; the photography done by AMP for Domain: all these little services – whether in-kind or paid back at below market rates – help sustain Domain.

It is unclear just how much of this support is recharged to the AMP bottom line.

The company must fully account for the true value of this support and reinvest it into our journalism. It is in danger of being accused of artificially inflating the value of Domain ahead of its initial public offering if details of these ‘sweetheart deals’ are not disclosed.

Once we have accounted for these costs, we can see what the true commercial relationship between AMP and Domain is. It is then that the company could review its costs.

We do not understand why there is a rush to remove staff costs ahead of the Domain IPO and a rectification of financial relations between AMP and Domain.

Instead, the company should wait to see what revenue will be garnered by AMP once Domain has floated and reassess its cost requirements.

**Conclusion**

MEAA rejects the company’s approach. The board needs to invest in journalism not only to support the newsrooms but to ensure that associated businesses retain value through association with Fairfax Media’s unique proposition: independent, quality journalism at scale.

Restructuring the newsroom should not start with a $30m cut to journalism. We first need to determine what our audiences want, what we are best able to deliver and where journalism trends are headed, not least through a better application of technology and improved delivery through our platforms.

Retaining a commitment to print is essential to the value proposition offered by our journalism. We welcome the company’s renewed commitment to print.

In terms of the restructure and cost-cutting, we do not think the company has consulted in good faith. As Chris Janz has admitted in correspondence with the union, there is a draft plan but the company has refused to share it. How can we possibly provide feedback on a plan we have not seen?

Given the company seems determined to cut $30m from the newsrooms, we believe this should be done by aiming to cut non-staff costs by 50% allowing a voluntary redundancy round and attrition to account for the remaining savings.

Of course we do not believe there should be any redundancies. However, if the company insists on redundancies the approach should be for no forced redundancies: those who wish to leave in a redundancy round should be allowed to go with dignity; those who wish to remain should stay.

We are profoundly disappointed that the company is once again reaching for the axe even as it claims to be about investing in journalism.

We have heard the rhetoric before that “this time” we will put the business on a sustainable cost base.

Our members provide your commercial teams with the largest audiences for journalism ever before gathered in this country. You need to find ways to make money from those audiences. You need to diversify your businesses while nurturing and investing in what makes Fairfax Media a great company: its quality independent journalism.