

## Staff Message From Jack Matthews, CEO Metropolitan Media

All -

I trust that you have all seen Greg Hywood's message of this morning. Having outlined a clear strategic direction for Fairfax Media over the past few months, today we are talking about the operational changes.

As Greg has said, to deliver on our commitment to be the leaders in quality independent journalism we have to change the way we work and while there were some specific references to editorial programs, the changes will apply to all areas of Fairfax.

I want to communicate our plans for editorial in greater detail. These plans have been developed collaboratively by myself, the Publishers, Don Churchill and Peter Fray, and the Editors, Paul Ramadge and Amanda Wilson.

The Metro publications are at a critical point in their history. We are all aware of the fundamental changes sweeping the media industry.

In earlier staff briefings I have explained that we need to transform Fairfax – both its strategies and its business practices. The plans we are putting into place across the company will do just that.

The urgency required was reinforced to me during a recent trip to meet publishers and editors in the US and UK. A common theme emerged. These media organisations were too late in recognising the fundamental changes to their businesses. They were too late in taking effective action to address those changes. Now, in fact, it may be too late for some of them to survive.

We will not let that happen to Fairfax. We must act now.

Our strategy is based on the fundamental premise that we are all about creating quality content – and quality revenues. The key words are create and quality. We need to focus our resources on those two core areas.

Given the fixed amount of resources we have available to us, the success of the strategy requires us to re-allocate resources within the company.

This has necessitated tough choices and decisions that while right on strategy, have an impact on people currently in the business. And as I've emphasised, these decisions will affect all areas of Fairfax, not only editorial.

We know we cannot simply cut our way to success. We must focus on a path to sustainable growth that will deliver Fairfax a strong future...

The decision to outsource sub-editing to AAP subsidiary Pagemasters will allow us to invest further in quality writing and reporting. In other words, if we are to focus more resources on creation, we must allocate fewer resources to production – while demanding the highest standards of the finished product.

Globally, outsourced production is not a radical approach. As you are aware many publishers outsource production work to organisations like Pagemasters. In our case, we have an existing relationship with Pagemasters that produces work of a high standard.

I am aware that there will be a view, as we implement this strategy, that we risk reducing the quality of our journalism. We will have processes in place to ensure that doesn't happen. Pagemasters has Service Level Agreements with Fairfax; these will be reviewed and strengthened. Penalties for failure to meet those agreements are severe – including termination of the agreement.

We will be entering into a three-year contract with Pagemasters and we will be rigorous in our ongoing evaluation of their work and will ensure that they meet our high standards.

Under this plan, outsource production centres will be established in Sydney and Melbourne. This means that news and sport for the The Sydney Morning Herald and The Age will be sub-edited locally.

Fairfax expects to invest more money in editorial content in the coming year. Some people will argue that this is just another cost-cutting exercise. It is not. Paul and Amanda will go through exactly how this will work in practice, and we welcome your views on how best to ensure we are successful.

We must work together as Fairfax boldly repositions for the future.

I've said to many of you in the past that we need to agree on two basic principles. The first is that quality, independent journalism is the bedrock of Fairfax. It is something that we cannot afford to lose. However, we also need to be able to establish a sustainable commercial model. Without that we will simply not be able to support quality journalism.

In the weeks and months ahead we will be talking to staff about our plans to support and enhance our journalism, to put it at the front and centre of what we do in Metro publishing.

I have no doubt that across all areas of Fairfax we will have robust debates about what this actually means in practice. We are committed to an honest, consultative relationship – the type of relationship that needs to be ongoing.

But having said all of that, there should be no doubt that we are prepared to take the tough decisions to ensure that Fairfax Media grows and prospers.

I look forward to hearing your views.

#### STAFF BRIEFINGS

Editorial staff is invited to attend briefing sessions in Sydney and Melbourne today. You will note a four hour gap between today's Sydney and Melbourne briefings. This is necessary to allow Greg Hywood and myself time to travel between the cities. The details are:

Sydney today at 11.30am and 12.45pm. This briefing will be held in the ground floor meeting room (G12) at ODI. The briefing will be led by Greg Hywood, myself, Peter Fray and Amanda Wilson.

Melbourne today at 5.30pm. This briefing will be held in the ground floor auditorium at Media House. The briefing will be led by Greg Hywood, myself, Don Churchill and Paul Ramadge.

#### CONSULTATION

Meetings have been scheduled for staff consultation with management in Sydney and Melbourne. The details are:

Melbourne – Thursday, May 5, at 10am at Media House.

Sydney – Monday, May 9, at 10am at ODI.