

----- Forwarded Message

From: [REDACTED]

Date: [REDACTED]

[REDACTED]

[REDACTED]

Subject: RE: Education - subscription model

Hi [REDACTED]

Thanks for the invite but I'll be in Sydney tomorrow - happy to come along to any further session.

From an audited circulation perspective, the issues and risks around the proposed scenario are as follows:

One primary and underlying principle of the ABC is that for paid sale to be valid, the copy must be sold complete. "What does it mean for a copy to be complete?" I hear you ask.

Oddly enough, the ABC definition of a complete copy has nothing to do editorial content, but is completely contingent upon the "completeness" of "advertising booked to appear".

This means that if an advertisement is booked to appear in the full-run of The Age (including any of the sections) and that advertisement doesn't appear in every copy of The Age, then those sales will not be valid.

The implication of this is that we must be completely transparent in the ad booking process so as to ensure the advertisers' know exactly what volume of product their ad will appear.

In this scenario, if the Education section were to be separated from the main book and distribution be limited to a lower volume, we would have to be quite upfront about it in advertising rate cards and such.

I imagine that if Education was separated out for lower volume distribution, primarily copies would end up going to educational market segments, such as schools, colleges and universities where there are associated subscriptions.

[SENSITIVE INFORMATION HERE - not sure who's in the focus group but please limit exposure of the following information]

This would mean that we would have to disclose to advertisers that any ads booked to appear in the Education section, would reach a volume of approx. 40,000 consumers.

In doing so, we would make the total volume of copies going through these channels a matter of public knowledge.

This would be a significant risk to the business.

As you would be aware, the ABC rules and definitions changed almost 12 months ago and part of that change requires that the portion of circulation related to specific channels must be disclosed, subject to the applicable definitions.

One such category is Education. In broad terms, the definition of Educational sales are "copies sold for distribution at learning institutions". However a further definition excludes most of own school and university sales from ABC category disclosure because they are sold as subscriptions to individual persons (teachers and students).

In accordance with the rules and definitions, the amount of copies we disclose as Education sales is 0.6% of total weekday sales, or around 1,200 copies. All other major mastheads understand and report their figures in the same way.

The way this might go horribly wrong for us is as follows: to separate the Education section from the main book and reduce its distribution means that we must be clear to advertisers about how many copies of the section we will distribute - if are not clear about it (remember the critical element "advertising booked to appear"), then we risk making all sales of Monday's edition invalid. If we did declare that 40,000 copies of the section were being distributed to students, teachers and other education-related customers then it would not take long for someone to note the disparity between 40,000 copies and 1,200 copies.

When this takes place, it is likely that the validity of our ABC reported circulation falls into question. It is then likely that we would have to explain that 39,000 copies go to individual subscribers at schools and tertiary institutions. If the ABC definitions became exposed in this regard it is likely that the ABC would come under pressure to further revise there rules and definitions to ensure that all education-related copies are released in full exposure. And in doing so, we would effectively write down the value of advertising in weekday editions from 200,000 circulation to 160,000 circulation, causing a pretty hard sell for the advertising team. The flow on of th would also affect the Sydney Morning Herald and probably every major masthead in Australia in a similar way - not so bad for your publication if you aren't quite so reliant on advertising revenue (aka News Ltd) but a big problem for Fairfax.

Sorry for the lengthy email, but as mentioned this is a complex issue, with significant consequences for our own paper and the industry at large. In short, we cannot reduce the distribution of the section without public disclose, and doing so is likely to cause significant risk to ad revenue across all weekday editions.

Again, there are obvious sensitivities regard information in this email, so please limit it's exposure to only the most senior members of the project team (and for them to similarly treat as confidential). Happy to discuss with anyone in person, I'll be back in the office on Friday.

Regards

[Redacted signature]

[Redacted]
The Age
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[Redacted] www.theage.com.au <http://www.theage.com.au/>

WEEKDAY (Ave)	Est. Circ	Last Year	±copies	var %
CASUAL SALES	78,395	85,730	-7,334	-8.56%
HOME DEL SUBS	77,309	80,876	-3,567	-4.41%
EDUCATION	31,483	27,280	+4,203	+15.41%
TERTIARY CARD	3,814	2,112	+1,702	+80.59%
AIRLINE	572	610	-38	-6.23%
CITY FLYER	585	468	+117	+24.91%
HOTEL	2,912	2,600	+311	+11.98%
EVENT	0	0	+0	n/a
MUSEUM	877	687	+191	+27.78%
STARBUCKS	253	238	+15	+6.39%
TOTAL	196,200	200,600	-4,400	-2.19%

SATURDAY	Est. Circ	Last Year	±copies	var %
CASUAL SALES	192,618	205,153	-12,535	-6.11%
HOME DEL SUBS	86,533	86,255	+278	+0.32%
EDUCATION	1,037	990	+47	+4.75%
TERTIARY CARD	0	0	+0	n/a
AIRLINE	730	673	+57	+8.47%
CITY FLYER	0	0	+0	n/a
HOTEL	2,484	2,373	+111	+4.68%
EVENT	6,000	1,749	+4,251	+243.05%
MUSEUM	379	743	-364	-49.03%
STARBUCKS	419	413	+6	+1.45%
TOTAL	290,200	298,349	-8,149	-2.73%

SUNDAY	Est. Circ	Last Year	±copies	var %
CASUAL SALES	121,261	123,152	-1,891	-1.54%
HOME DEL SUBS	86,470	86,184	+286	+0.33%
EDUCATION	1,037	990	+47	+4.75%
TERTIARY CARD	0	0	+0	n/a
AIRLINE	1,074	1,050	+24	+2.29%
CITY FLYER	0	0	+0	n/a
HOTEL	2,941	7,270	-4,329	-59.55%
EVENT	2,000	0	+2,000	n/a
MUSEUM	734	485	+249	+51.32%
STARBUCKS	383	409	-26	-6.36%
TOTAL	215,900	219,540	-3,640	-1.66%

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Newspaper Sales: Flash Report
Week-ending 29 July 2007

Commentary

Weekday sales week-on-week were up by 3,260 copies (ave) - driven by School based subscriptions, up 2,200 copies with the inclusion of the class-set of the 2010 Tertiary Planner (7,200 copies) and Tertiary pick up subscriptions were also up by 1,400 copies. Home based subscriptions were up by 124 copies with Pump up the Volume Home Subscription Module commencing. Conversely casual sales were down 500 copies. Casual sales on Friday were up 1,000 copies and based on weekly trends on the surface suggests TMM influenced 1,500 additional copies. Total sales of The Age on Saturday grew 2,800 copies, with a rise in casual sales of 6,100 generated by the Steve Bracks resignation. Events were down 1,700 compared to the Caulfield races of the previous week. Subscription on Saturday and Sunday were down 1,600 copies with the conclusion of the Tatts card promotion. The Sunday Age total sales were steady with casual sales being up by 1,400 copies off the back of the Steve Bracks resignation and possible casual retention of the Tatts card buyers.

In the same week LAST YEAR: Weekday sales increased week-on-week by 3,000 copies (ave), with subscription volumes of 1,100 and education sales on Tuesday generating 10,100 additional sales with class-sets of the 2009 Tertiary Planner. Casual sales on Friday gained an additional 4,100 copies with the inclusion of theage(melbourne)magazine, while other days in the week lost 300 sales on average with the net effect across the week of an average daily increase of 600 copies. The Age on Saturday gained 1,100 copies in casual sales and balanced minor movements in other channels. The Sunday Age continued to deliver a stable result, up by 500 copies on the previous week with a 600 copy casual sales increase and small shifts elsewhere.

News, Features & Promotions

- > Welathy embrace State Schools (Mon)
- > Year 10 Tertiary planner (Mon)
- > Rudd: Jobs before trees (Tue)
- > Howard to seize the Murray (Wed)
- > Haneef case under review (Thu)
- > Haneef: Now for blame game (Fri)
- > Theage(Melbourne)magazine (Fri)
- > Bracks resigns (Sat)
- > House values inside (Sat)
- > Farewell Haneef from land of fair go (Sun)

Net Paid Sales Estimates

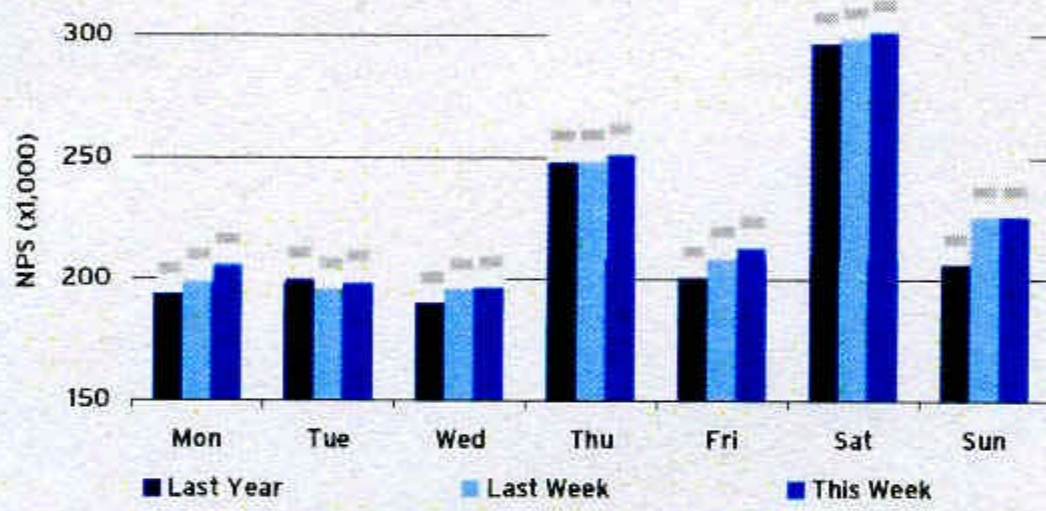
(x1,000)	Mon	Tue	Wed	Thu	Fri	M-F	Sat	Sun
NPS	206	199	197	251	213	213	302	226
- cas	58	68	66	119	86	75	166	90
- sub	140	127	126	128	140	132	129	129
A&A	2.6	2.8	3.0	3.1	3.1	2.9	3.2	4.0
EDU	3.3	0.0	0.0	0.0	0.0	0.7	0.0	0.0
EVT	2.1	1.9	2.0	1.9	3.2	2.2	3.0	3.1
MPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OTH	0.3	0.3	0.3	0.4	0.3	0.3	0.6	0.5

NPS LW	199	196	196	248	209	210	289	226
v±	6.6	2.6	0.5	2.6	4.0	3.3	2.8	-0.0
v%	3.3	1.3	0.3	1.0	1.9	1.6	0.9	-0.0

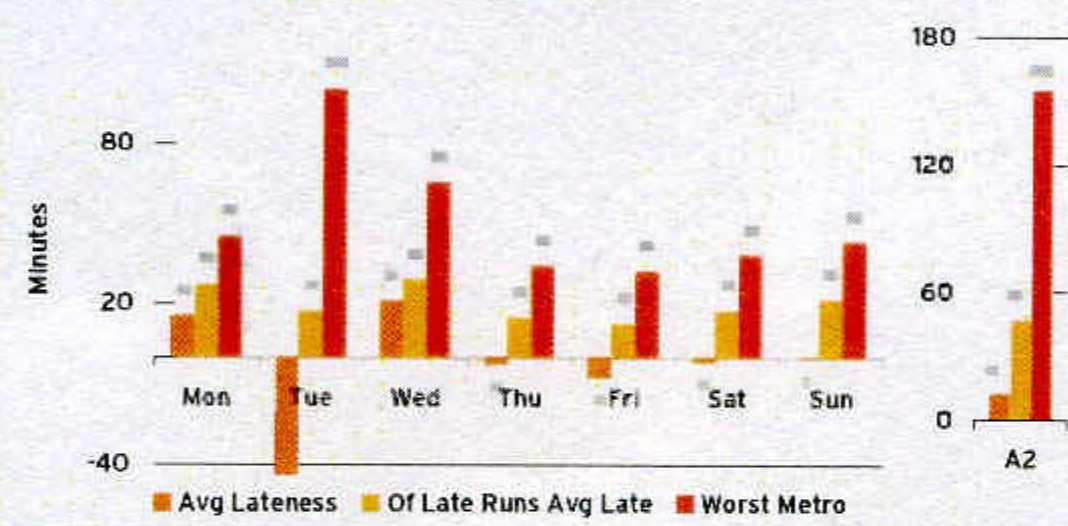
NPS LY	194	200	190	248	201	207	297	206
v±	12.1	-1.6	6.4	2.9	11.8	6.3	5.0	18.5
v%	6.3	-0.8	3.3	1.2	5.9	3.1	1.7	9.4

NPS 13wk Ave

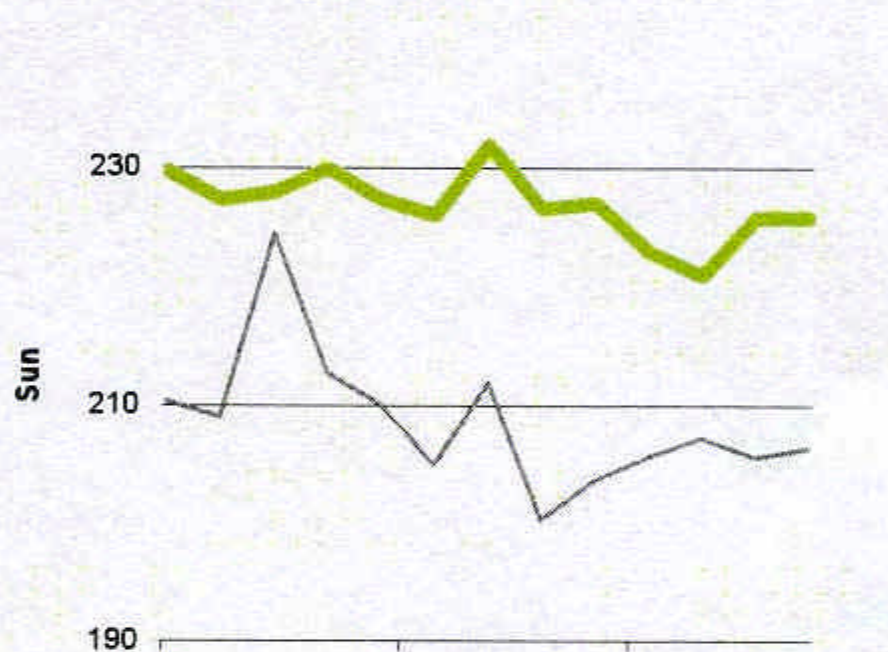
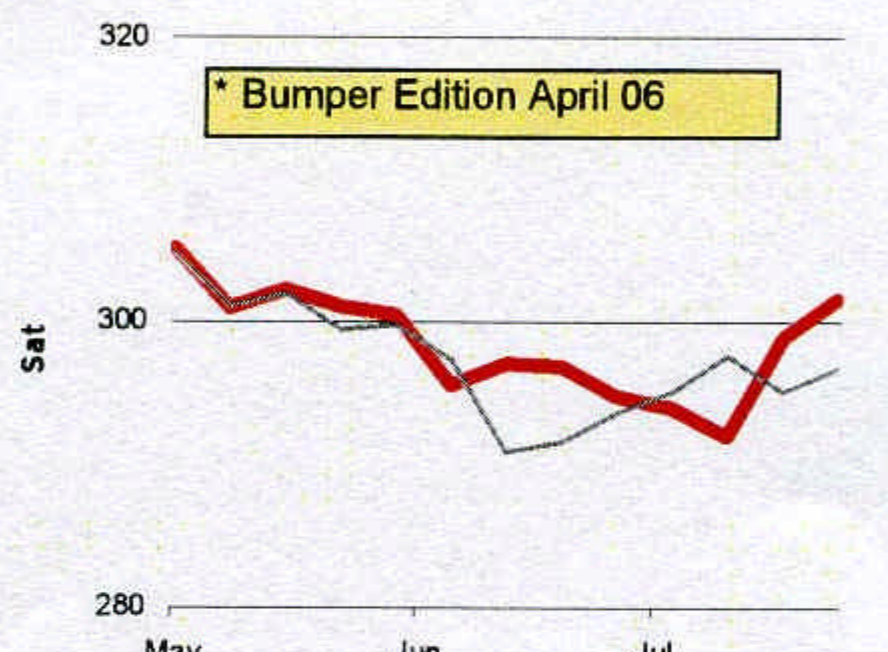
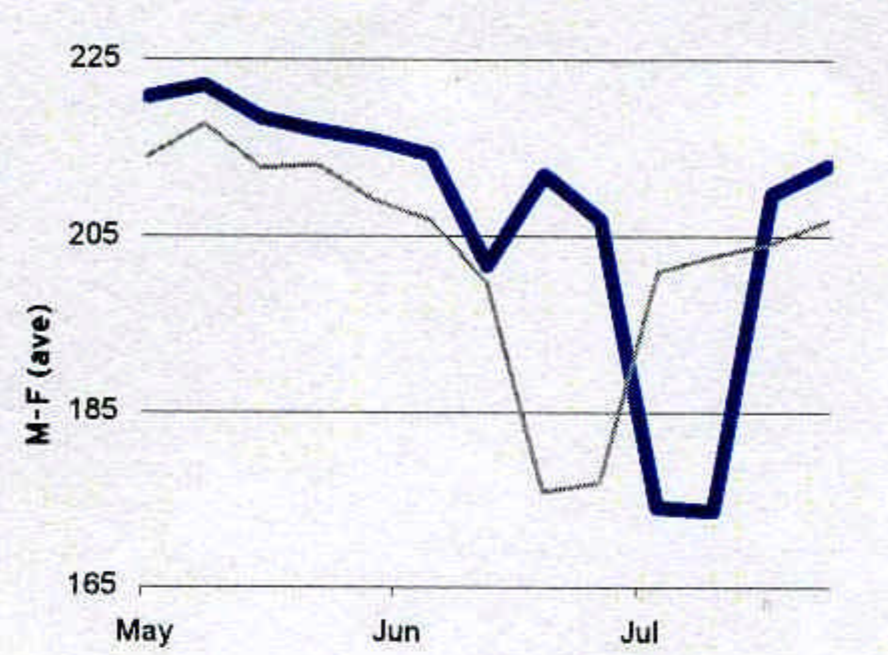
TY	197	195	195	247	205	208	299	227
LY <td>191</td> <td>190</td> <td>191</td> <td>246</td> <td>197</td> <td>203</td> <td>297</td> <td>209</td>	191	190	191	246	197	203	297	209
v±	6.0	4.3	3.7	0.5	8.3	4.5	1.2	18.3
v%	3.1	2.3	1.9	0.2	4.2	2.2	0.4	8.8



Production/Distribution Lateness



13 Week Net Paid Sales



13 Week NPS Rolling Average

