

TRANSFORMING FAIRFAX

During the past several months I have outlined our strategy to secure and grow our company.

There is no ambiguity about our vision and our mission. We will be a company that creates high-value, premium journalism and content for print, online, mobile and beyond.

We will do this by investing in quality, independent journalism that differentiates us from our competitors.

We will invest in our journalism to create markets for many different audiences. We will leverage those audiences for our customers and clients.

And we will do this better than anyone else.

Today we are announcing the operational changes that are necessary to deliver the strategy.

We must do things differently if we are to deliver on our commitment to the highest standard of quality independent journalism. Standing still is not an option.

While the changes I am announcing today carry some pain they represent a necessary step forward in creating a sustainable and successful Fairfax.

As media companies globally confront the challenge of fragmenting audiences and revenue, decisions have to be taken about how we operate in this new landscape.

Fairfax is at an inflection point and we must move now.

We have no intent or interest in managing this company for decline. We want Fairfax to grow, to be strong and to be respected.

The core of the changes I am announcing today are logic-driven – it's about getting the right balance in our allocation of resources to deliver the necessary outcomes.

And it involves a substantial reallocation of our resources to writing and reporting.

The fact is this is only possible through gaining efficiencies from our production processes. There is no other way.

Yes, there will be cost reductions - but the strategic driver for those savings is reinvestment in the parts of Fairfax that will determine the future success of the company.

Metropolitan Publishing

We will increase our investment in quality journalism for The Sydney Morning Herald, The Sun-Herald, The Age and The Sunday Age – and The Canberra Times. This is fundamental to our strategy.

We will immediately look to recruit a number of high-quality reporters and writers. We will expand our trainee programs. We will invest in comprehensive multi-media training and equipment.

This investment of millions of dollars will dramatically enhance our ability to deliver journalism that attracts and grows audiences in our target markets.

To achieve this we are restructuring the way we produce our newspapers. New workflow and work practices will be introduced which will not only facilitate the investment in journalism, but will underpin quality.

Under this restructure it is planned that copy sub-editing of news, business and sport will be outsourced to AAP through its subsidiary Pagemasters. As you will be aware, Pagemasters has been successfully producing many of the sections for our metro mastheads for the past three years.

This is not an unprecedented decision. Pagemasters and other independent production houses now produce many high-quality newspapers around the world.

As we move to establish a sustainable model, work is also being finalised on a number of initiatives in other parts of the Metro publishing business. These will be communicated to staff as soon as practicable.

These decisions are critical to developing sustainable Metro publications. The Metros and the journalism they produce are critical to the future of Fairfax.

We must do everything required to ensure that future.

New Zealand Publishing

We will increase our investment in quality journalism while continuing to realise efficiency gains from pre-press and sub-editing hubs.

A decision taken has been to end our NZ Press Association news service subscription. Instead, we are investing in our unique content with the formation of the Fairfax NZ News Service.

This service will see a significant investment in journalism with new editors and reporters focusing on high quality, group-wide content that serves all mastheads.

A key decision is to invest in our essential capabilities, such as journalism and sales, while seeking efficiencies in other areas. Pre-press and sub-editing hubs are delivering greater flexibility across the group.

We understand the value in constantly reassessing our operations in a bid to improve efficiency and reduce costs where we are able to do so without compromising quality or delivery. It is this concept that led us to consolidate and centralise advertising production.

We believe there is an opportunity to drive further cost efficiencies by using technology and partnerships. This should allow us to deliver better results for the readers and ongoing cost reduction.

Australian Regional Media

Our Regional Media business will invest significantly in journalism through the creation of editorial hubs across Australia.

In parallel with this investment, Regional Media will reduce fixed costs through rationalisation of its pre-press operations.

Increased investment in localised online editorial content over the past year has underpinned the growth in online traffic across the 160 Fairfax Regional Media local news websites.

A significant growth in online traffic over the past 12 months has been the key driver in the growth of advertising revenue on these sites.

The nature of local newsgathering - particularly user-generated content - provides unique local content that strengthens our already strong local franchises.

The move of advertising pre-press to regional hubs and the efficiencies this creates allows the fast tracking of the Regional online editorial media hub initiatives. Reducing the fixed cost of local production has further application in gaining editorial efficiencies that will allow us to continue to invest in content in the future.

Future technologies will enhance the capability to run video content for both editorial and advertising. Our increased investment in online editorial resource will ensure the Fairfax Regional Media news websites are ideally positioned

to capitalise on new technology to grow online traffic and multimedia advertising revenue.

Printing and Distribution

As you know, we are exploring opportunities to rationalise our printing and distribution operations. While it is early days, I am encouraged by our progress so far.

This is a large and complex undertaking and it will take some time.

While those discussions progress, we must continue to adapt our printing operations to changing market conditions. At Chullora in Sydney, more simplified book structures mean we require fewer staff.

In New Zealand, we also see opportunities around printing operations in a number of markets.

We believe there will be an opportunity to reconstruct our business utilising the capacity and capability of the broader industry to deliver both cost and productivity gains.

In summary

We have a clear vision for Fairfax Media. We have the right strategy. We now need to get on with it and start shaping our future. We have a lot to do.

Our focus will be on strengthening existing products and launching new ones. We will soon release the native iPad apps for The Sydney Morning Herald and The Age. There will be more of this.

At the heart of today's announcement is a commitment to get the balance right for a sustainable and successful future.

I know there will be strong views about these changes – both positive and negative. We believe they are the right decisions – the only decisions that make sense – and the only decisions that will allow us to lead the way in quality independent journalism. We believe quality independent journalism is the key to the success of Fairfax.

The chief executives and senior managers of the businesses involved in today's announcements will be providing more detail in the days ahead.

Greg