



NANA

Since 1891

ABN 13 096 737 352

4th December 2009

NEWS LIMITED CONTRACTS

Many newsagents contracts are coming to an end on 31st January 2010 and the remainder will need to be renewed by then. It seems News will have everyone expiring on 31st January 2012.

News has stated that they don't want to invest any more money in the current system and again talk about building a new model. In 2006 they talked like this and promised to pay more for delivery but it didn't happen and there is every indication it won't happen this time.

To understand the full story we need to look at global trends and what News has announced to the local market.

The following is supplied not to cause significant over-concern but to try and give an insight into how newspaper print media is evolving to help newsagents to make more balanced decisions in each and every case.

The core revenue source for newspapers is advertising. Advertisers are spending less on newspaper advertising and more where the modern eyes are going –the internet.

Around three years ago News head office identified this trend and spent billions securing a foothold in technology to move to the new mediums. News in Australia is very well advanced to eventually go paperless when the time is suitable. The announcement of a pending deal for Microsoft to pay for content almost completes the picture.

Back in the print media section of News with advertising revenue down –the profit side –cuts are being made to the loss side –our side and transport –late papers etc. This is why we have not been offered increases and transport runs are being amalgamated and made longer as with Fairfax.

Undoubtedly when revenue lowers to a point near costs and the consumers are readily accepting the new platforms the hammer will fall. It is NANA's view that the State Mast Heads will eventually not be available in print form in the short term. The provincials will last however in the medium term.

Remember, in 2006 the Trading Post were printing ninety thousand plus for NSW and in the last months this number had dropped to only thirty thousand. The threshold was reached and it stopped being printed. Some Telstra plans incorporate free downloads, no wonder Telstra spent \$800M. buying it.

As we transition to this point there will be further rationalisation of transport runs –the drivers' contracts are for 1+1+1 years and ways to save further on home /sub/ office etc. distribution is provide by built in clauses in the new contract. In the one publisher state –South Australia, the agents have to hand over their customer details and have been given a one year renewal only.

In business you shouldn't continually invest in a loss if it will always be a loss or more so, not even be around. There is an argument that if you have a contract your goodwill is higher. It is argued that if the businesses have contracts that are profitable then the goodwill is higher. Goodwill is calculated on profit and in this industry we certainly don't need any more loss leaders.

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service to

members



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WHAT TO DO.

First things first. NANA has responded in detail to News as has the other Associations and every reply has been 'take it or leave it'.

Last Thursday NANA spent over three hours in Canberra with the ACCC –we had already been there before about the same topic and we can assure you they are up to speed. They have also had phone contact with all of the other associations and now intend to discuss several key points with News.

We suggest in the meantime you refrain from signing until you hear from us again and most importantly fully reassess the financial importance of carrying on with a new contract.

Be mindful when doing this that News give no guarantees about keeping your subs- imagine having the run costs without a good subs income. The contract clearly emphasises there is no goodwill so you will have no recourse when they do adversely change things or under their own timing, turn you into a sub anyway. In addition, if you sign and sell in the next two years the buyer will only be offered surety for the remainder of the period and you will have to underwrite them. All this and still no increases in income.

As has been the custom the representatives will come with tall stories or veiled threats. Accept nothing unless it is in writing on News Limited letterhead and signed by an appropriate level.

Once again the forgoing is an attempt to put together an evolving scenario of change. It may reach completion in two years or in five years but naturally things will change. Take every opportunity to take on new lines. That is diversify and find new income streams that are required by your particular market to offset the change.

If you wish you may write to the ACCC.

DR. M Schaper
Deputy Chair
ACCC.
GPO Box 3131
Canberra ACT 2601.

A STRONG POINT TO RAISE IS THAT THERE IS NO ALLOWANCE FOR LOCAL NEGOTIATION TO ALLOW YOU TO SET AN APPROPRIATE FEE TO COVER YOUR INDIVIDUAL COSTS, PARTICULARLY IF YOU HOME DELIVER.

NANA will continue to pursue the matter on your behalf in an environment where unfair and unconscionable laws are being reinforced.

Stan Cousins.

NANA President

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