

Jim Browning's comments at Dow Jones annual meeting, April 18 '07

I'd like to begin by introducing myself. I'm Jim Browning. My byline is E.S. Browning. I have been a Wall Street Journal reporter for 28 years -- in Hong Kong, Tokyo, Paris and now, New York. I have written on almost every imaginable subject, from sumo wrestling to international diplomacy, from French wine to Japanese electronics to Philippine insurgencies. For the past 10 years or so, my job has been to explain the ups and downs of the financial markets -- what we at The Wall Street Journal call our core financial coverage.

During this long period, I never paid much attention to labor issues or the union. My job was excellent, my pay was fine, my benefits were top notch and, as my wife and children will tell you, my primary focus was on spending long hours reporting and writing for The Wall Street Journal. I was nominated for awards. I even won one or two. My bosses praised my work. I could claim that I was special, but I'm not at all. I've done no more or less than just about anyone else at The Wall Street Journal. It is what the paper expects of us and what we expect of ourselves.

Right after the 9-11 terrorist attack, my wife was diagnosed with breast cancer. I discovered how important our Dow Jones health benefits are. My wife probably saw a dozen different doctors as we figured out the right treatment for her. She received excellent care and today, her health is great.

But when she counsels other women with breast cancer, she hears depressing stories. Many do not receive proper care. Their doctors make mistakes. They get surgery from people who aren't specialists. Their plastic surgery is botched. My wife urges them to see the kind of doctors who treated her, and they respond that their health plans won't pay for it. Now I should point out -- Dow Jones didn't pay all our bills. Our own share was thousands of dollars. But Dow Jones paid most of the bills, and the health plan totally supported us. It made a huge difference.

So why, you might ask, am I up here complaining?

For several years now, some very short-sighted Dow Jones executives have been trying to take away the benefits that were so important to my family. They don't state their goal too loudly, but when you discuss it with them in bargaining meetings, they make no bones about it. They want to funnel us into health plans that will cost us more and provide more limited benefits. All to save the company a few million dollars a year -- probably less than you paid Rich Zannino and Peter Kann last year.

And why not, the company's finance people say. This is happening across corporate America. Everyone is cutting back, squeezing employees. Executive pay and benefits are ballooning everywhere. Employee benefits are disappearing.

Rating firms have criticized Dow Jones – one respected outside firm just gave Dow Jones a “D” for its executive pay policies. But who cares -- why should Dow Jones be any different than anyone else?

Why should Dow Jones be any different?

That's really the crux of the question, isn't it? Why should Dow Jones be any different?

I'd like to try to tell you why I think Dow Jones should be different.

To start with, look at yourselves. Every year, some money manager or group of money managers stands up at the annual meeting to urge you to get rid of Dow Jones's super-voting shares. Super voting shares prevent the company from being taken over, and that hurts the stock price. The Bancroft family knows the impact on the stock price better than anyone.

But you have decided that super-voting shares are essential because they keep Dow Jones independent.

Dow Jones is not just any company. The Wall Street Journal is not just another media franchise. It is not just another top-flight brand -- although I am sorry to say that some of its executives now treat it that way.

The Wall Street Journal is a national institution whose independence and quality are priceless.

You could have made a lot of money by selling the Journal to an outside raider – or just by getting rid of super-voting shares and letting the market take its course. You chose not to do that – you have repeatedly chosen not to. And that is to your enormous credit. You have rejected short-term financial motivations and acted to preserve the Journal's quality and independence.

Despite the impact on the stock price, almost everyone in this room thanks you for doing so.

Every year, surveys show that there is just one newspaper in this country whose news reports are more respected, considered more reliable, than those of any other media organization. At a time when the American public has lost much of its respect for journalists, people still have confidence in The Wall Street Journal.

The Journal's standing in the public mind is precious, and it doesn't happen all by itself. The respect given the Journal is the result of principles pounded out in the newsroom over decades, and passed on to those of us who are lucky enough to work here.

The Journal's standards didn't just spring up in nature. They don't thrive untended. It has taken decades of determined work to build this newspaper – and it would take just a few short-sighted decisions to tear it down.

The Wall Street Journal has thrived because you, and those who came before you, demanded and sustained and supported this kind of quality. The Journal's standards have been passed on through generations of editors and reporters – and board members.

We all – you, and we – are the stewards of this public trust. We all have made special efforts, above and beyond the call of duty, to ensure that The Wall Street Journal remains a place unlike the others. You don't do it for short-term financial gain, and neither do we. We all do it because this is an institution we believe in.

For many years, we all have been united in trying to achieve these same goals. But recently, something has begun to change. The word “cutbacks” has crept into our lexicon. A newspaper that until the 1990s was expanding throughout the world and becoming stronger at home, is today retrenching in various ways. We have added extra sections and new coverage areas, we have developed the world's leading financial website, and that is a fine thing. We still are the best newspaper in the world. Our reporters and editors still win Pulitzer prizes.

But in various ways, we are cutting back. We have reduced some of our staff overseas, forcing people to return to the United States. We have cut our editing staff to the bone, leading to unnecessary errors. We have consolidated our editing desks, and exiled them to South Brunswick to save money. We have cut back on experienced statistics and computer experts, in many cases outsourcing their jobs to companies that have proved, to our shock, to be unsuited to the task.

Has it had an impact? Look no further than the period of more than an hour on Feb. 27 when the stock market was spiraling downward and investors were relying on us for accurate information. Dow Jones was unable to accurately calculate the value of the Dow Jones Industrial Average. I don't know what you have been told about the cause of that disaster. I know what I have been told. Some blame the outsourcers, others blame staff shortages. Either way, it wasn't just a gremlin. We cut back too

heavily on our expert staff and, when a problem cropped up, we weren't able to fix it in time.

I don't know how we can measure the damage that episode did to our reputation. It was a stunning, unforgivable lapse. It was the result of cost cutting.

When Rich Zannino was named chief executive of Dow Jones a little over a year ago, he sat down for an interview with a Wall Street Journal reporter. Here is what the Journal reported the next day: (Quote) "Mr. Zannino said he was not looking to make cost cuts across Dow Jones operations, as other newspaper publishers have done in recent months. The company 'can't expense its way to profitability,' he said." (Unquote)

But since then, that is exactly what Rich has tried to do.

A few months after taking over, he informed those outside the union that their health premiums would more than double and that their prescription drug costs would double and in some cases more than quadruple, depending on what kinds of drugs their doctors had prescribed.

People whose drug costs had been \$225 a month were suddenly paying \$900 a month. They should switch to generic drugs, they were told. Except that there were no generic substitutes for many of the drugs in question. And under the new Dow Jones drug policy, it didn't matter. If they wanted treatment, they had to pay two to four times what they had been paying.

Company lawyers like to call this "cost sharing." It isn't cost sharing. We already share costs. This is cost shifting – cutting back on the burden for Dow Jones and shifting it to employees.

I don't know about other companies, but at Dow Jones, it is pretty unusual for managers to get in touch with the union and spill out their financial troubles. That is what is happening now. Not just union members, but also middle managers who aren't in the union are urging us to fight against these radical increases. That is what we are doing.

Something has changed at Dow Jones, and it isn't a change that you as shareholders should be happy to see.

If you look around the country, you will see that unions are on the wane in most places. But not at Dow Jones. People like me, who never were interested in the union, have become activists. My family used to complain that I spent too much time reporting. Now they complain that, when they can pull me away from reporting, I am spending too much time on the union.

And it isn't just me. It used to be that, if the union called a meeting, a handful of people showed up. Now, hundreds of people fill rooms, spilling out into halls, wanting to know how the union will protect them.

As we speak, today, hundreds of Dow Jones employees have stood up and left their desks in a sign of protest against management's punitive contract demands.

Senior managers may tell you that this is just a normal bargaining dispute. Perhaps. But have you noticed what just happened at Harborside, in Jersey City? More than 200 reporters and other employees, the largest non-union site at Dow Jones, just voted to join the union. The union had been trying to organize them for years, with no luck.

I can tell you that the Newspaper Guild is ecstatic. This almost never happens any more. Guild organizers tell us that it has been more than 20 years since the last time they added a major new site at a U.S. Guild-represented newspaper. It's actually the second time that has happened at Dow Jones. Last year, after we acquired Marketwatch, most of those people, who were nonunion before they came to Dow Jones, voted to join the union.

Unions aren't growing at very many U.S. companies – certainly not at very many U.S. newspapers. But the union is getting bigger and far more popular at Dow Jones. And union leaders know whom they have to thank: Rich Zannino and his punitive cost-cutting efforts, which have outraged employees up and down the line.

A year or two ago, I spoke to you and suggested that Dow Jones management was on a collision course with its employees. That hasn't changed. It has gotten worse and the collision is beginning to happen.

Let me summarize what I have just said. The compact that has long existed between the company and its employees is in the process of being broken. The outsiders who have arrived to run the company are carrying out cutbacks and outsourcing that threaten our quality standards. The cutbacks have put in danger our precious knowledge base, rooted in the generations of editors and reporters who built this newspaper and handed down the knowledge to their successors. The outrage among employees is making the union more and more powerful.

Senior management will tell you not to worry about this. For one thing, the outsiders who now run our company figure that we are all easily replaceable. They are trying to cut the benefits they offer new hires, so they can hire on the cheap. They figure one reporter is the same as another.

And, if their cutbacks damage the company in the long run, it isn't really their worry. They can move on to other jobs elsewhere. Ask Rich Zannino about quality and he will tell you that he isn't worried because he isn't getting complaints. The rest of us know that you can't wait for the complaints – once you start getting them, it is too late. Just look at the mess with the calculation of the Dow Jones Industrial Average.

We, the reporters, editors and other employees, and you, the owners of our company, can't move on so easily. We are here to stay.

Look at other newspapers that are cutting back the way senior management wants to cut at Dow Jones. Do we want to be like them? When the opinion research companies conduct those surveys to gauge public attitudes, do we want to be trusted about the way they are? Or do we want to be the only newspaper in the country still held in high esteem?

In many ways, the choice is up to you. This is your newspaper. You own it. If management persists in its effort cut our benefits and keep our wage increases below the rate of inflation, there will be another fight in the newsroom. People are fed up and they aren't going to give in quietly. They have discovered that the more they stand up for themselves, the prouder they feel and the more others come and stand beside them. Harborside and Marketwatch have voted to join the union. Middle managers are supporting us more and more openly. It is a testament to the strength and determination of Dow Jones employees that they aren't just knuckling under.

There is no need for this fight. Dow Jones's finances are improving dramatically. One irony is that senior management has never claimed that it needs to squeeze employees in order for the company to grow and prosper. The company's recent financial improvement isn't due to cutbacks. It is because of our quality and our ability to innovate, which make our products more desirable.

Dow Jones doesn't need to hurt employees and damage quality in order to remain strong – doing so, if you think about it, makes us weaker. Executives see others doing these things, so they do it themselves. Never mind that the other companies are in trouble and getting worse.

The decision on how to proceed is yours. We felt you should know what is at stake.

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