**Postmedia’s Sun-Herald merger signals more than financial struggles**

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“Postmedia’s results following its April 2015 acquisition of the Sun Media assets have been worse than we expected,” Peter Adu, an analyst with the debt rating agency, said in a release Friday. *Photo by: Chris Bolin For The Globe and Mail*

Calgary Sun reporters chasing stories in the nineties had perfected the art of midnight apologies.

The tabloid went to press after the Calgary Herald, giving the Sun an edge when the two newspapers competed bitterly. Reporters working the Sun’s late shift had to go to the docks of the Herald’s printing press and grab a copy of the broadsheet as they were loaded on to delivery trucks every night. If the Herald had a scoop, the Sun reporter had to match it before the tabloid went to press. The night reporter had to make midnight phone calls to politicians and sources, begging and apologizing at the same time. Letting the Herald waltz away with an important story was not an option. Editors yelled.

The nasty rivalry and professional consequences dwindled over the years, although beating the competition never went out of style. Now the battle is over: Journalists at the Sun and Herald who survived layoffs this week are on the same team, working on stories that appear in both papers. In Alberta’s capital, the Edmonton Journal and Edmonton Sun also merged their newsrooms and advertising teams. Their owner, Postmedia Network Canada Corp., is doing the same for its dailies in Vancouver and Ottawa as it tries to find millions of dollars to meet its financial obligations.

Roughly 90 journalists lost their jobs Tuesday, with more to come. A combined 60 journalists lost their jobs in Calgary and Edmonton. At least one Journal reporter quit after surviving the layoffs.

The fallout is about more than adding a small number of people to the list of thousands of unemployed Albertans. It is, instead, about whether Postmedia’s remaining journalists can effectively hold politicians and organizations to account, deliver a diversity of opinions, and produce newspapers that are different enough to retain separate audiences and advertisers, despite containing slews of news stories that are nearly identical. It is also about whether the consequences of not merging the newsrooms would be even more troublesome.

“If you have fewer people asking questions, you’re going to get fewer answers,” Stephanie Coombs, the Edmonton Journal’s managing editor who was let go in the sweep, said this week. “That’s bad for the public … If you’re not asking questions and people aren’t telling stories, who is going to expose wrongdoing?”

Further, without competition between newspapers, the thrill of beating the competition evaporates. That, too, means less pressure on everyone, from police chiefs to officials running homeless shelters.

Last year, Postmedia last year bought Sun Media’s English-language news organizations, pledging to operate separate newsrooms in cities where it owned more than one title. The Competition Bureau approved the $316-million deal. Its papers in Calgary and Edmonton are not unionized.

Guy Huntingford served as the Calgary Herald’s publisher between August, 2010, and May, 2013, as well as other senior roles within Postmedia and its predecessor companies. Postmedia’s decision to buy the Sun papers and merge newsrooms will save the papers, he said.

“You have to look at the other side of the equation, which is, if they don’t do this, they go away completely,” he said. “Individually, both organizations were going down a path that was probably going to push them to their demise. Putting them together gave them new life. That’s a good thing.”

Mr. Huntingford, who himself was bumped out of the Postmedia conglomerate, said the Herald and Journal were profitable during his time at the chain. He estimates the Herald and Journal were either the top two money-makers or, at worst, placed first and third.

“They [were a] hugely, enormously, important part of the Postmedia empire.”

But the chain’s healthy papers have been dragged down as the conglomerate directs cash toward its debt obligations.

Postmedia’s operating profit reached $19.4-million in the first quarter, up from $18-million in the same stretch a year prior. However, the company’s interest expenses hit $18.7-million, up from $15.3-million from the comparable quarter, according to financial results dated Jan. 13. Postmedia lost $4.2-million in the quarter, compared to $10.2-million a year prior.

The company, which also owns the National Post, has $25.9-million of long-term debt due in 2016; another $302.7-million due in 2017; and $353.4-million due in 2018, according to the company’s 2015 annual report. It must also make interest payments on this debt, and as of August, 2015, it expected to pay $70.5-million in interest in 2016 alone. The company is trying to refinance its debt. Most of its debt is owned by Canso Investment Counsel Ltd. in Richmond Hill, Ont., and GoldenTree Asset Management in New York. Paul Godfrey, Postmedia’s chief executive, this week said this week that none of the company’s papers lose money.

Media organizations around the globe are struggling to make a profit as more people read news online. With fewer print subscribers, newspapers can not charge as much for advertisements. But, at the same time, online ads sell at a steep discount and online subscriptions have not been enough to make up the difference. The Toronto Star last week said it plans to shutter its main printing plant and cut more than 300 people, including about a dozen journalists.

Postmedia said its broadsheets, which used to compete against its tabloids, will remain unique even though its journalists no longer compete.

“The street-level view of the city, served up with a bit of sass and a healthy sports package will remain at the core of the Sun, while the more serious-minded Herald will retain its focus on Calgary’s politics, arts and business,” Gerry Nott, the senior vice-president of content at Postmedia, wrote in a note to readers in Thursday’s Calgary Sun. “Local voices, those columnists who engage or enrage you, will remain distinct to each of the titles.

“And the voices of the papers themselves will remain strong and separate.”

The promise’s limits appeared in Thursday’s Calgary papers.

The Calgary Sun ran a picture of what appears to be a chihuahua on its front page, with a headline that said “Cheating Dogs,” guiding readers to a story about the unregulated certification system for service animals. The Herald went with photos of Prime Minister Justin Trudeau in Davos, Switzerland, and a file photo of the city’s mayor, Naheed Nenshi. The main story on the front page was about a city councillor calling for a $60-million tax break for small and medium-sized businesses. Their respective columnists appeared only in their historical papers.

However, the Herald and Sun made only minor changes to the overlapping news stories in each paper. A story on gasoline prices, for example, appeared on the third page of both papers, under the same byline. The first paragraph of the respective stories were different, but the articles were otherwise identical save for seven minute tweaks. The changes: “some other” in the Sun became “other local” in the Herald; an “and” in the Sun was changed to a “but” in the Herald; “the foreseeable future” became “some time”; and a “the” became a “that.”

Jose Rodriguez is now the editor-in-chief of the Calgary Herald and Calgary Sun. Mr. Rodriguez, who previously led the Sun, declined to comment. Lorne Motley is now in charge of the two Edmonton papers, leaving his post as the Herald’s top editor.

He directed questions to a Postmedia spokesperson who did not return a call seeking comment.

Margo Goodhand, the Edmonton Journal’s editor-in-chief, was also pushed out, along with Ms. Coombs. Ms. Goodhand, who spoke up after Postmedia forced its papers to endorse the Conservative Party of Canada in the general election, declined to comment. Postmedia also let go Donna Harker, the Edmonton Sun’s managing editor. She declined to comment.

Alberta’s opposition parties all argued the cuts will hurt the province’s political system.

Brian Jean, the leader of the Official Opposition, said the province is already short on journalists. “As disturbing as it is, we now have more PR people working for the Alberta government spinning stories than we have reporters writing stories,” the Wildrose Party leader said.

“These cuts are going to constrain the public’s ability to have ample discourse and to discuss all the issues.”

Premier Rachel Notley declined an interview request submitted Tuesday. Instead, her spokeswoman sent a statement from the province’s leader. “I'm troubled to hear about more job losses in Alberta at a time when our province is struggling. I am also concerned over the concentration of ownership and editorial control that now exists within Alberta's print media,” the statement said.

“Journalism is so important to a healthy democracy and this loss of opinion leaders in our province will surely undermine the level of public discourse and discussion on important issues."

