



**DAVID KIRK
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REMARKS TO THE NSW FARM WRITERS**

FAIRFAX MEDIA AND THE FUTURE

23 NOVEMBER 2007

Thank you and good afternoon.

I am delighted to have been invited to address the NSW Farm Writers Association. While the former Fairfax certainly has regional publications, the merger with Rural Press has made this key sector of rural publishing a vital part of the future of what is now Australasia's leading media company.

And it is in that context that I wanted to outline our strategy – where we are going, and why – and to discuss some issues that I trust are important to the heartland of the nation that you cover for all Australians.

So let me spend a few moments setting the scene by talking about Fairfax Media in Australia and New Zealand.

We are the largest publisher who has publishing businesses in both Australia and New Zealand.

With the Sydney Morning Herald, The Age and The Canberra Times, we have the leading mastheads in Australia.

The Australian Financial Review and Fairfax Business Media are the unparalleled leaders in business publishing.

In May, we completed our merger with Rural Press, creating the largest integrated metropolitan, regional and rural, print and online digital media company in Australasia, with publications and websites in every State and the ACT in Australia, and throughout New Zealand.

Our stable of over 200 regional publications is growing, augmented a year ago by the acquisition of The Border Mail and the Riverina Media group this year.

Online, we have the #1 news position in Australia. Fairfax Digital attracts over 14 million unique browsers per month. We have over 4 million video downloads per month – up from less than a million only 7 months ago.

Our online classified sites are first or second in their markets.

Fairfax Media in New Zealand is that country's largest media company. We operate across three broad divisions, newspapers, magazines, and interactive or online services.

We own 67 newspapers, including major mastheads such as the Dominion Post, The Press in Christchurch, the Sunday Star Times and The Independent Financial Review, through to community papers.

We own 13 magazines, including titles such as Cuisine, New Zealand House and Garden and just yesterday we acquired Life and Leisure.

In April 2006, we acquired Trade Me in New Zealand, an online auction and classified business.

Trade Me was a breakthrough acquisition for Fairfax, not only because of its fantastic commercial success, but because of its *connectedness* with New Zealand society. Trade Me is, quite simply, an integral part of the daily life and times, commercial and social, of New Zealand.

I will return to this theme of connectedness a little later.

In a nation of 4 million people, Trade Me has over 1.75 million members. 65% of all the internet page views in New Zealand are through Trade Me.

There is nothing like it anywhere else in the world – which helps explain the healthy price we paid for it.

And our best known online service after Trade Me is Stuff.co.nz – our news websites in New Zealand.

As a diversified media company, Fairfax Media publications, in print and online, reach over 6 million people per day in Australia, New Zealand and the world.

It is this great strength that can be utilised by advertisers to reach the most attractive audiences.

And just two weeks ago, Fairfax Media completed its acquisition of Southern Cross' radio business (including metropolitan radio stations 2UE here in Sydney, 3AW and Music 1278 in Melbourne, 4BC and Music 4BH in Brisbane, and 6PR and 96 FM in Perth), and the Southern Star television production business.

Before discussing these transactions in the context of our overall strategy, what is obvious is that we are proactively managing the challenges that face everyone in the media industry: the changes driven by technology and new distribution platforms.

In the media business, there are two iron laws that are constantly at work:

Media always evolves. And audiences always fragment.

Media, and the management of change, are therefore synonymous.

If you have studied our industry, its history is a litany of change – of evolution and threat and adaptation.

Those who follow our industry will recall how cinema was going to kill radio, how television was going to kill cinema ...

how the VCR was going to kill television, how pay TV was going to kill television ...

how DVDs were going to kill cinema,

how the internet is going to kill newspapers,

how ipods are killing radio ...

and how the internet is now killing television.

Media experts confidently predicted in the late 90's that newspapers would be banished to the memories of senior citizens and museums by the middle of this decade.

Clearly this has not happened.

Indeed:

More people are reading our content in print and online than ever before in our history.

Every industry faces structural changes, be they driven by technology, regulation or consumer tastes.

Recognising trends in consumer behaviour is important – changes which in the short term may not be dramatic in themselves but over a longer period will have a profound effect on your business and its future.

It is this type of change that I spend the vast majority of my time on.

We need to plan for these changes – because changes in our readers' tastes will drive what our advertisers will want, and how information will be received and consumed.

So with this as a preface, I want to discuss our strategy for our business in a world of structural change for the media – and how and why we will succeed.

We have three prongs to our strategy, and they have guided everything we have done, from the merger with Rural Press to acquiring Southern Cross, and everything in between:

Firstly, we are ensuring that we defend and grow our newspapers.

We are concentrating on the editorial quality of our newspapers to deliver to our audiences the best in news, commentary and opinion.

The Sydney Morning Herald, The Age, The AFR, the Canberra Times, The Dominion Post, the Press and the Sunday Star Times are agenda-setting newspapers that shape public policy debate in Australia and New Zealand.

Our regional and agricultural newspapers lead opinion no less in their spheres of influence.

These publications have a rich tradition.

The Sydney Morning Herald turned 176 years old in April – the oldest newspaper in Australia, and one of the most respected in the world.

The Age is 153. The Dominion Post recently celebrated its centenary.

I had the privilege of being in Ballarat to celebrate the 140th birthday of the Courier. My message to the paper then is the same as my message to you today:

Our papers succeed because they are part and parcel of their communities and the lives of their readers. This is what distinguishes truly great newspapers from publications that are mediocre. This is the difference between quality news and news as a commodity. And this is the difference between stewardship of local values and mediocrity in the discharge of a public trust.

Our publications did not reach these milestones by accident.

The value of trusted, independent journalism has never been higher.

In my judgment, the defining difference of a great newspaper – just as it is with Trade Me in New Zealand – is its *connectedness* with the communities and readers they serve.

John B Fairfax gave an important speech last month in Victoria. Here's what he said about what makes a local paper great:

A newspaper – a good newspaper – is an institution in a community, and I've often made an analogy with a local hospital. A hospital is obviously vital in being able to preserve life and maintain the health of individuals. Similarly, a newspaper is vital in any community in order to preserve a lifeline between individuals and those who govern. It is important for people to understand what is happening in their community, whether it is a local government issue or the results of a cricket match or a football competition ...

It is particularly important in this era of globalisation that we never lose sight of localism and our communities. Therefore the newspaper is very much a lifeline that simply cannot be severed if we are to maintain a cohesive and relevant community life.

There is another important aspect where a local newspaper can play a vital part: it can convey to its community what we consider to be the proper values and character of our society.

I'd like to think that one reason Fairfax and Rural Press were able to come together is because these are truly shared values between these two great companies.

Contrary to worldwide trends, our circulations are generally rising. The Sunday Age is the fastest-growing newspaper in Australia. The AFR's circulation has gone up even in the face of a healthy cover price rise.

And our papers are stronger commercially.

We have created innovative products for our advertising customers. Combined with the excellent printing facilities we now have available, we have increased the offerings we can make to advertisers – offerings that ensure advertisers reach their target markets and provide Fairfax Media with new revenue streams.

We are not naïve about the challenges faced by large metropolitan newspapers with heavy classified loads. But overall, we are bullish on print.

The other important element in ensuring the viability of newspapers is the same element as faced by every other business. That is, the control of the cost base. Fairfax Media has achieved significant cost reductions over the past two years and this will continue. And we will exceed our original commitment to deliver synergies from the merger with Rural Press.

Change in the ways we think and do things is paramount to improving our operational performance.

The second pillar of our strategy is to build a strong online business.

We have built and acquired very strong digital positions in a number of areas, and as a result, we 100% own and manage the leading portfolio of internet sites.

No other major publisher, in Australia or, as far as we can determine, worldwide, has a 100% position in classified as well as our news and information sites. It is a powerful business model:

- In Australia, we are the number one in news, dating and holiday rentals
- We are a strong number two in jobs, homes and cars and are improving our positions in these areas on a daily basis
- In New Zealand, we have Trade Me, with its exceptional position in online auctions in that market and growing presence in classifieds. We have just launched a new travel site – Travelbug – for online holiday accommodation bookings.

- We recently acquired InvestSMART, the leading online non-advisory managed funds business, into which we will merge our Direct Access service – giving us a wealth management business representing over \$1 billion in funds under management.
- Following the merger with Rural Press, we have launched a major effort to upgrade the website of our regional and rural publications, particularly in our lineage and classified offerings in the newspapers and their internet sites.

We have been steadily building our online businesses over several years and have an excellent pool of talented people who can take us forward in this high growth industry.

Fairfax's management of our exposure to the downside of classified migration at the major metro papers has been crucial to the successful future of the company.

Because we understood the urgency, we turned it into an opportunity.

I know of no other company that is as far advanced in this transition to an integrated digital media company as Fairfax Media.

When I travel I am repeatedly told by analysts, investors and industry colleagues that we are far more advanced in our management of the changing digital media world than international peers.

Finally, the third pillar of our strategy is to build a digital media company – to build a company that creates, commissions, and distributes digital content over multiple platforms.

In Sydney, at our new headquarters at One Darling Island, we have built what we call the Newsroom of the Future – an integrated multimedia editorial platform, where print and online and electronic editors sit together, commission stories, break news, and decide where that news and information is most effectively placed – on which platform it should go – and when.

These possibilities are even more exciting following the acquisition of the Southern Cross metro radio stations and the Southern Star video production company.

The metropolitan radio business provides obvious promotional benefits in Sydney and Melbourne, and substantially fuels, via the stations in Brisbane and Perth, the national reach and effectiveness of all of Fairfax Media's news and classified internet platforms.

In the future we will continue to see an expansion of the number of ways digital video content can be distributed – IPTV, digital free to air TV, 3G wireless networks and the so-called "B" license to mobile devices.

In this world, unique video content will be particularly valuable. We have the capacity, over time, to build and aggregate a wide range of news-related content. The purchase of Southern Star gives us the capacity to develop and distribute entertainment-related content as well.

Broadband will be a key driver of future growth for our company. And we intend for Fairfax to be a prime content provider on broadband to enable us to reach our audiences wherever they are, however they want to receive us.

It is this issue of broadband that is absolutely critical to the future of regional and rural Australia no less than our major cities.

I believe regional and rural Australia are in the midst of a second drought – a drought in broadband deployment.

Paul Budde is one this country's best telecoms analysts.

Here's what he wrote last year:

There has been virtually no progress in regional Australia (with respect to Broadband) since mid-2005.

Dial-up connections outranked broadband connections by almost 4:1 in Rural Australia last year.

Over half of Australia's farmers now use the internet to do business, although most of them are forced to endure the slowest service possible.

According to the Australian Bureau of Statistics, last year while 34% of all households in metropolitan areas were connected to broadband, only 19% of all households in non-metropolitan areas were connected via broadband.

One of the things I like about tomorrow's election is that the winner has pledged to bring broadband to virtually every Australian household.

As with past elections, infrastructure is a key measure of modern progress.

In the 19th century, it was railroads. In the 20th century, it was highways.

In this century, it is broadband infrastructure.

The building of digital highways is as important to the future prosperity of regional and rural Australia as any piece of infrastructure needed to get Australia's products to our ports for export.

We can no longer afford to be resource rich but digitally dumb.

When Tim Powell outlined my talk today in your newsletter, he said:

“With all those regional titles in its stable, Fairfax Media has a vested interest in the future viability of agriculture and regional communities.”

That is exactly right.

Our papers will continue to prosper because they are connected with the communities they serve.

But our communities will prosper only if and when they are connected with the rest of the country and the world with digital highways of the highest speed and quality.

Fairfax Media now has a vested interest in the digital future of regional and rural Australia – and we will stand with you to see it delivered.

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So this is our vision, and I have told you this afternoon how we are executing it.

To summarise my thinking on our company and our future:

Our challenge in managing a changing environment is to adapt our publications to it, while remaining true to our journalistic values.

We want to grow aggressively online.

And we want every part of our company to evolve as a digital media company for the 21st century.

Fairfax Media's success depends on regional and rural Australia being fully integrated into our digital future.

I am confident of our ability to understand the changing nature of the environment in which we operate and compete, and to execute the changes that are necessary to grow.

Thank you.