



**Remarks of David Kirk  
CEO, Fairfax Media  
Committee for the Economic Development of Australia  
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**MEDIA IN THE 21<sup>ST</sup> CENTURY**

Tom Baddeley, Members of the Committee for the Economic Development of Australia, my colleagues from Fairfax Media, distinguished guests, ladies and gentlemen:

In my first official foray to Perth as CEO of Fairfax Media – I’ve been here many times before and truly admire this great city and beautiful State – I thought I’d choose a simple and demure subject as the title of my address to you today.

We are also making some news as a company in WA today – some 21<sup>st</sup> century media news – and I’ll return to that later in my remarks.

As CEO of Fairfax Media for a little under three years, I have had a rare opportunity to see and understand media and how it is changing – and I wanted to share with you my perspective on what it takes to be a successful media company in the 21<sup>st</sup> century. I also want to raise an important public policy issue directly associated with digital media and our national competitiveness.

To discuss media in the 21<sup>st</sup> century, I can roll out a lot of statistics on the number of blogs created every day (it’s 1.4 new blogs every *second*),

and how many mobile phones there are in Australia (slightly over 21 million – or more mobile phones than there are people in Australia),

and how many video downloads there were from our own websites last month (about 5 *million*).

But it’s what we see every day that is driving home the point:

In the bus or the train after work, everyone is texting or on their Blackberry.

In the morning, it’s iPods

During the day, we at Fairfax Digital have engineered what we call the new prime time: at lunch at the desk, everyone at the office is online searching the net, with huge peaks in news and video viewership between 12 and 2 pm. In those two hours, our page impressions leap 33%, from 490,000 to 650,000 *per hour*.

Compare this with Free To Air television, which has lost 5% of its prime time audience in the last year.

Tower Records and Borders books have gone bankrupt.

Foxtel IQ penetration is now over 20%, reaching 5.5 million Australian homes.

Kevin 07 was an online sensation, and the Premier of China has just opened a page on Facebook.

All of these little factoids reflect the iron law of media that has been operative since the invention of the printing press:

First, media always evolves. From the printing press to radio to motion pictures to television to coaxial cable to the Walkman to MP3 to satellite to fibre – technology has driven media’s evolution.

This has profound implications on diversity and competition.

We face the next frontier in media technology with broadband – and I will return to that issue later in my remarks.

The second iron rule of media is that audiences always fragment – new media steals allegiances from the old, creating new audiences and new patterns of consumption.

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.

Well, I would beg to differ.

For the users of media this means, in every generation, new technology, more diversity, more choices, more time shifting, more portability, and more consumption.

For media providers it means – horrors! – more competition, more complexity, more change, more innovation – and more pressure to succeed.

I know this: there is a symbiotic relationship between our democratic ideal of a robust marketplace of ideas, with thousands of media flowers competing for the sunlight, and commercial business models that will let strong media companies generate news,

information, entertainment and other content, aggregate it, distribute it, and prosper because they have business models that drive commercial success – enabling those companies to keep generating the content that is the mother’s milk of modern society.

Rather than talk in the abstract, I wanted to talk in concrete terms about these trends, and do it through the entity I know best – Fairfax Media.

A few years ago, our company faced a challenge: keep doing what we were doing, and risk stagnation as an East Coast publishing company dominated by two mastheads, The Sydney Morning Herald and The Age – or seize our future by entering into a dynamic program of diversification and growth.

There was really no choice to be made.

I want to take a few moments to outline our strategy and the road forward for our company.

Every step we have taken, to meet all the challenges I have discussed today, is based on a three-pronged strategy:

First, defending and growing our newspaper and magazine publications. Our newspapers are dynamic, they are continually developed, they have new editorial leadership, they provide new platforms for advertising – and they have growing circulation and readership.

We believe in the future of our newspapers.

Second, seeking aggressive growth in our digital business. We are the leading news and information online business in Australia. We have strong classified online businesses. We own 100% of our online portfolio – unlike any other major publishing company anywhere in the world.

And third, building an integrated digital media company. We see broadband as a driver for growth for all of our online businesses. More profoundly, the very connectedness of our internet sites with their audiences is driving a change in our thinking about our culture, and our need to be collaborative and connected across all the natural boundaries of print and online, of editorial and commercial, and between the geographies where we operate.

Our strategy is to build a digital media company that creates, distributes and monetises content across many different media platforms: newspapers, magazines, the internet, mobile phones and wherever else it makes sense for us to be.

We are in the process of transforming Fairfax Media into a multi-media news and information company.

Let me show you a few slides which illustrate what I mean:

Slide 1: Diversification and growth have given Fairfax Media a much broader business mix.

Slide 2: As mentioned, defining our strategy – and sticking with it and implementing it – has been critical.

Slide 3: Diversification and growth has been reflected on our 4 major acquisitions over the past 5 years.

Slide 4: With the merger with Rural Press, we have greatly expanded our geographic footprint – providing a national footprint for content and advertising.

Slide 5: We have expanded our media platforms into radio and television

Slide 6: We are the #1 media company in New Zealand

Slide 7: Trade Me is one of the most extraordinary internet success stories in the world

Slide 8: With respect to our legacy media, defending and growing our newspapers and magazines is core to our success.

Slide 9: Our aggressive growth online is reflected in our leadership in news, our strong and competitive position in classifieds, and our dramatic expansion into transaction sites and businesses online.

Slide 10: We are affirmatively and decidedly different to our publishing peers in Australia and globally. We have superior positions in publishing, with stable to rising circulation. We have wide-reaching internet portfolio, which is 100% owned and operated by Fairfax Media.

Slide 11: The third pillar of our strategy is to become an integrated digital, multimedia company for the 21<sup>st</sup> century.

In discussing this aspect of our strategy with our staff, this has been the most indistinct to them. It feels good, like Kevin Rudd's Fresh Ideas – so it gets a nice reception but it is more out there for the future than something that guides day-to-day business.

This morning, I want to flesh that out a bit for you – to outline my thinking on the elements of what it takes to be a successful digital media company for the 21<sup>st</sup> century.

Firstly content: An unrivalled capability in digital content origination and aggregation. I say very consistently that we are a content company. It's our fundamental history and heritage and it is both what we are and what we want to be.

In print publishing, our content origination is for our metropolitan newspapers, regional newspapers, and community newspapers. The latter are not to be neglected: local news and information is still a big driver of audience and readership and it's totally unique.

We never lose sight of the local.

In addition to general newspapers, there's business and financial news. We produce unique content everyday through the AFR, a range of magazines and Afr.com. The AFR does extremely well in WA, and we are very proud of our coverage of the State and business here.

Business and financial news is one of the fastest growing segments in the world and we lead those markets in this part of the world.

Content is not just in text and photography.

We are also rapidly developing our capacity to produce video and audio content. The acquisition of the former Southern Cross Broadcasting radio stations – including of course 6PR and 96fm here – brings audio content. In addition we originate audio and video content associated with our news and lifestyle websites. We're building this every day. Less than a year ago, we had about 800,000 video downloads per month. Today, it is over 3 million.

The second important attribute for a digital media company to be successful in the 21<sup>st</sup> century is the ownership of powerful multi-media brands that drive an extension of audience reach.

The ability to build multi-media brands over time – be it 6PR, the SMH, The Age, AFR, The Land, Domain, MyCareer or Drive, to reach audiences both locally, nationally and internationally is a fundamentally important part of our future.

Third, successful media companies now have to distribute and promote content across multiple platforms. Today's consumers are working and playing in very different ways. They are accessing news, information and entertainment in print, on TV monitors in the lounge room, on the PC, on lap tops, on a mobile device, on a digital radio and it goes on. For media companies, where the audience goes we have to go.

Take the Sydney Morning Herald. It has a circulation of around 220,000 and a readership of 950,000 on a weekday, and online traffic of over 370,000 per day. At 177 years old, in other words, The Sydney Morning Herald is reaching more people in more places than ever before in its history.

It's all very well to talk about being multimedia and it's all very well to talk about having an Internet position, but you need proven new media revenue models. From our perspective, that's largely Internet or mobile models. You need revenue models that actually turn audience and brand participation online into money.

We are very strongly focused on the display advertising market, the classified market, and the transactions market. We have seen very strong growth in our transaction revenues across the Fairfax Digital sites.

Subscription is another proven revenue model online and we are gratified that *The Wall Street Journal*, notwithstanding some earlier disposition to go with a free model, has concluded, once it looked at it in detail, that it makes sense to monetise unique highly focused brand related content in the business and financial services market via a subscription model. So we're glad Rupert is following us. And we expect that to be an important part of earnings growth in the future as well.

So, as we see it, there are four key capabilities required of a modern digital media company.

- Content origination and aggregation,
- multi-media brands,
- the capacity to distribute on multiple platforms, and
- proven new media revenue models.

It is these capabilities that create a company that is strongly positioned for changing technologies and media consumption habits whatever they may be. This means positioning the company for what is inevitable: the still unpredictable changes in technology and media consumption habits that are driven by that technology and the experiences of younger generations in a very different media world.

And armed with these strengths, we believe we can hold our position against our competitors.

Certainly our conclusion is we are as well positioned as any heritage publishing company in media worldwide.

And so, what does all this mean for Fairfax Media and Western Australia?

Actually, it means quite a lot.

Earlier today, I met with Premier Carpenter.

And today, Fairfax Media is announcing a new entrant into the media scene in Perth and Western Australia:

A new voice that will promote more diversity of news, information, sport, and entertainment

...

A new media citizen serving the community ...

And a new outlet for people in the West.

On behalf of Fairfax Media, I am very pleased to announce our new online media publication:

WA Today

## **VIDEO**

WA Today is a first for this State: not a new newspaper with limited circulation, but a new online competitive publishing force instantly available to the 1.3 million internet users in Western Australia.

WA Today is a new news, information and entertainment source, live online 24/7.

It provides all the news on Perth and WA as it happens plus national and world news from the Fairfax Media network.

With a team of over 10 journalists, WA Today will give our readers a fresh, new perspective on what's happening in our community, and why – throughout the day, with news and updates filed continuously.

With a dedicated local sales force, WA Today provides a new advertising platform for business, retailers and e-commerce, providing new commercial opportunities in one of the most dynamic economies in the country.

The national advertisers headquartered in Western Australia now have a dynamic new outlet to reach hundreds of thousands of readers and viewers daily.

Perth and WA have long wanted a quality, independent and authoritative alternative to the only daily newspaper in town.

So it's great to be able to come into town and say, "We've just added a significant, new, independent media voice to Perth and Western Australia."

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I am often asked, aside from our company's strategic direction: What is the biggest public policy issue you face?

And there is one answer:

Broadband.

The future of broadband will determine the future of our company and, increasingly, the future of Western Australia and the country as a whole.

Infrastructure is a key measure of modern progress.

In the 19<sup>th</sup> century, it was railroads. In the 20<sup>th</sup> 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.

This Government has promised to deliver broadband to virtually all Australian households.

We firmly support this objective.

We have a good base to build on – but we are moving much too slowly.

As a country, we are lagging, and it is hurting our competitiveness.

Neither Australia nor Western Australia can afford to be resource rich but digitally destitute.

Only 64% of Australian households have access to a computer with an internet connection – behind Korea, Iceland, Luxembourg and even – sorry – New Zealand.

And Australia is stuck, at 45%, in terms of households with access to some form of broadband – a middle range result, trailing even the UK.

Western Australia is performing better than the country as a whole.

75% of West Australians use the internet. This has increased significantly in 2007, and WA is ahead of all the other States in this statistic.

At 50%, WA is second, after the ACT, in the percentage of all households with access to broadband. This has doubled since 2005 and is a strong result.

In regional and rural areas, these figures, however, fall by 10 points or more.

Just as we cannot have a digital divide between us and the world's leading economies, we cannot have a digital divide between our cities and the bush.

While the government has committed to delivering broadband, its promise will be empty if some fundamental policy settings are missed.

We do not have a robustly competitive structure in telecommunications in this country.

Telstra as the legacy infrastructure owner enjoys a massively favourable position – commercially, strategically and competitively.

It is extraordinarily rare in the developed world for a telco with such a position of strength in the market to be able to offer fixed line, mobile, local, long distance, international, cable television, and internet services.

In other countries, regulation often requires a separation between wholesale and retail operations. This allows for level playing field competition for access to the backbone infrastructure, lower prices and higher utilisation of assets and services.

Without such a structural separation, prices to consumers will likely be too high and access to the network will be limited by affordability.

If a genuinely competitive process for building the network cannot be achieved, with the attendant lowest prices for access that will follow, then structural separation is the only realistic option.

All the States and Territories, meeting last month, issued a very strong communiqué on these issues:

QUOTE “Broadband is a key enabler for the digital economy,” they said. “It is critical to the delivery of private and public sector services and applications in education, health community and other key services. It also generates productivity and other economic efficiency gains across the economy as well as environmental benefits.” END QUOTE

They applauded the proposed National Broadband Network.

And in the key statement on regulatory policy, the State and Territory Ministers ...

And I quote ...

“Expressed their strong preference for a solution to be operated by a genuine wholesale provider that is separate from any retail service provider.”

This is an elementary tenet of regulatory policy for critical network infrastructure – in gas, electricity, or telecommunications.

With broadband, Western Australia’s horizons are unlimited – through the resources boom and beyond.

As for Fairfax Media, with broadband you can have first class access to all that we can report on your future, bring you unrivalled and exciting content – in words, photos, images, and video ...

We can give you an interactive platform to engage with your world ...

And we can provide dynamic e-commerce marketplaces for your jobs, homes, cars, businesses, travel, finances, and social life. And we have a site for your new-borns as well.

We are delighted to join you in Western Australia and we look forward to providing some competition and diversity to your media landscape.

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