



David Kirk
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**THE PUBLIC GOOD, PUBLIC COMPANIES AND THE FUTURE OF PRINT
MEDIA AND QUALITY JOURNALISM**

Thank you Gerard, and thank you for this opportunity to address The Sydney Institute this evening.

I very much wanted to speak to the Institute because of the great attention that has been paid to Fairfax Media and the decisions we have taken to restructure and drive improvements across our entire business – the corporate side and the editorial side, in Australia and in New Zealand.

I want to preface my remarks by explaining who we are – because a lot of the public do not appreciate what Fairfax Media is today, how we have grown, the changes we have instigated, and what our future prospects truly are.

Three years ago, we embarked on an aggressive strategy of diversification and growth in order to secure Fairfax Media's leadership, and our future.

As a result, the Fairfax Media of today is not your father's John Fairfax Holdings Limited.

A lot of people still think of us as the Age / Sydney Morning Herald company. That company is long gone. Today, the earnings from those newspapers are less than 20% of the company's total earnings of around \$830 million at the EBITDA line.

The old John Fairfax Holdings from 5 years ago today contributes only 35% of our total earnings.

Our earnings from our online businesses are 15% of the total – that's just under \$115 million – and growing rapidly.

Thanks to the merger with Rural Press, we have over 300 mastheads in regional, community and agricultural publishing – and they are, in the main, leaders in their markets.

We are also the largest media company in New Zealand.

Financial publishing, led by the AFR, is stronger than ever.

Online, we have the leading news and information sites, strong classified positions, and several #1 sites in transactions, from dating to the leading independent online funds management business.

A lot of newsprint has been committed to coverage of the restructuring and business improvement program at Fairfax Media. A lot of it has not been well-informed. A lot of it has failed to appreciate that, in publishing, there are many markets, and that we are doing well in most of them.

In print, we have regional and community publishing, financial publishing, agricultural publishing, magazine publishing, and publishing in New Zealand. All of those have medium to strong growth prospects.

Metro publishing in Sydney and Melbourne will have flatter growth – but this is not wag the dog. Fairfax Media has a diversified group of print assets that will, taken together, grow well.

We are an increasingly integrated media company, but each business has particular economics – and importantly, particular potential. Where there is opportunity to improve the short run performance without mortgaging future performance, we have an obligation to do that.

This is what our restructure is all about.

Given the recent carnage in the markets, and the threat of a deep slowdown in the pace of growth here, the announcements we made in August look very prudent today. We were ahead of the curve.

When things get tough, what do families do? They sit around the kitchen table and pull their belts in. But that doesn't mean there is no future, or better days ahead.

And that is what we have done at Fairfax Media.

On the corporate side, we have streamlined operations, restructured some functions, such as IT and HR, into the business units, and increased efficiency and productivity.

On the editorial side, we have looked especially at the metropolitan newspapers – the Sydney Morning Herald, The Sun-Herald, The Age and the Sunday Age. These are the businesses with fundamental revenue challenges, but they are also the businesses with the greatest opportunities for improved processes – and therefore cost improvement.

Most of the changes are in how the newspapers are put together – the production side as opposed to the reporting side.

In the main, technology continues to drive production efficiencies, and we intend to take advantage of it. This has been a fact of life since Gutenberg first invented the printing press and it remains an unstoppable force.

The same issues are being played out at great newspapers worldwide. In a recent note to staff, the publisher of The New York Times, Arthur Sulzberger, said:

“Given the business challenges we face, we are constantly looking for ways to reduce costs that do not affect the quality or quantity of the journalism we provide to our readers.”

That has been exactly our approach. The publishers, together with the editors, looked at each part of their business and assessed where things can be improved. It is a bottom-up-driven process, not a Draconian top-down diktat.

There has been a vigorous and passionate reaction to the decisions that have been taken. As can be the case when editorial staff are made redundant, the question has been put: will this affect quality journalism at Fairfax Media?

Because of that bottom-up process we can say that we are confident that these changes will be made without loss of quality in our journalism – the quality that distinguishes Fairfax Media publications.

(I will amplify on this and discuss what I believe are the elements of quality journalism very shortly.)

What we have done has also spurred discussion of how Fairfax Media, as a publicly listed company without the benefit of a capital structure that separates voting shares from ordinary shares (which is the type of structure in place for The New York Times, the Washington Post and News Corporation, among others), can continue to fulfil the public good in the media world – can we keep doing what we have been doing?

Indeed, in these tumultuous financial times it is pertinent to ask:

In addition to whether Fairfax Media will continue to fulfil its commitment to provide quality journalism in the years ahead:

What is the future of print journalism generally?

First, in journalism today, what is the public good?

In the 21st century, it's just not the same – being Zeus – as it used to be.

We still have the traditions, history and authority of being a leading, trusted source of news and information. But it has changed dramatically in an age of increased competition across all media, driven in large part by the internet.

Our print newspapers are no longer the gatekeepers, the first point of authoritative contact with the world on any given morning. We still do set the news agenda for electronic media – there is no doubt about that. And we set the news agenda because we have the resources to do it.

But by the time you read our papers, most of you will have already had the headlines from breakfast radio, possibly been on the internet, and seen the news on TV the night before.

Our newspapers therefore will tell you as much about why something has happened as opposed to what did happen. This has been the “new” mission for newspapers for many years now.

Not the only mission, of course. In addition, we have to continue to surprise readers – with news and insights and commentary and analysis on things they did not expect to see. We aim to provide an enrichment and understanding and context to the world that is exceptionally appealing, informative, provocative and entertaining.

Our metro newspapers certainly retain their clout – when there is a page 1 story or campaign on a major issue it makes news and influences opinion and is serious business – but my point is that there are many more voices, many more points of access to news through the day, many more platforms and many more options for our readers and audiences.

With all this competition, and with news becoming in many instances a commodity, our only hope is to be very good.

Ben Bradlee, who was Editor of the Washington Post, has said, “Other forms of media, including television and the internet, provide that same information, but ‘the guy who gives’ the information first ‘won’t always be the one who did it best.’”

We want to do it best.

So what is the public good that Fairfax Media should serve in this world?

With respect to this I am a classic conservative: a free press is a pillar of our democracy. A free press is essential to the operation of democracy and if we are to fulfill our public trust we need to operate a vigorous media.

We shine a light. We undertake investigative journalism – costly and time-consuming that it is. We report on governments, businesses, sporting associations, cultural bodies, and whoever has a public trust and obligation to serve the people.

In addition, we provide insight and information that helps people come to their own conclusions about political and social issues. We encourage and facilitate meaningful engagement by citizens in a civic society. We have privileged access to people in positions of power. By passing on our reports and views and opinions we transfer that privilege to our readers.

This is a hallmark of Fairfax Media’s quality, independent journalism.

We also therefore have an obligation to be accountable for what we do and how we do it and for the quality of our journalism – to our readers, to the public and to our shareholders.

Now, can a public company provide quality journalism? And in particular, a public company without a controlling shareholder or two-tier share structure?

We ultimately believe not only that we can survive – but that we can thrive – as a public company.

The model that has sustained print newspapers in metropolitan markets has fundamentally changed. In particular, the internet has waged an all-out attack on classified advertising in print.

The United States and the UK – the most mature newspaper markets – have been particularly devastated.

Here in Australia, The Heralds and The Age also face significant structural challenges, compounded at present by a weak economy in Sydney and Melbourne.

We have long recognised that the metropolitan newspaper publishing business model, dependent as it has been for many years on lineage classified advertising, simply has had to change.

This is not new news, and should not be a surprise.

And we are managing and adapting and evolving as a result.

And in a moment I will tell you how we can and will succeed.

But I must say it is galling to have to listen to the self-appointed experts prattle from the sidelines. Some people think we should give up the fight. Eric Beecher has been a poisonous critic of our company, for reasons best known to him. He was asked about our future on *Lateline* in August, and this is what he said:

VIRGINIA TRIOLI: Eric Beecher, what would you do with Fairfax if you got your hands on it tomorrow?

ERIC BEECHER: Well, the first option would be to sell it or break it up and sell it. That's what I would do.

VIRGINIA TRIOLI: You wouldn't bother with trying to stick with this behemoth?

ERIC BEECHER: Well, the problem is, if you owned 100 per cent of it and there wasn't a share market to deal with, yeah, you could do lots of things with it. You could actually say, as the New York Times does and to some extent the Washington Post, the journalism is the centre of the fabric of what we do and that comes first and we'll deal with the profits separately in some way, but whilst you've got a share register which is just open like there's, no I don't think there's anything you can do.

So there you go, a self-proclaimed champion of the cause of quality journalism in Australia, and publisher of that quality online site, Crikey, telling us to roll over and die.

We won't be throwing in the towel.

Michael Gawenda, a former Editor of The Age, gave a speech last week in the Beecher tradition. His prescription was for a newspaper with smaller circulation, a premium cover price, and no lifestyle sections. And he said that such a paper would require "a smaller staff than the staff producing today's paper."

I daresay, under Gawenda, there would be many more staff cuts at the Herald and The Age than we have contemplated.

Gawenda also asked whether this paper would be profitable.

And he said, "I *think* so."

Well, as CEO I don't have the luxury of just thinking about whether something will work. I put our shareholders' money on the line every day on business decisions that will work.

I'm reminded by one of my favourite US presidents, Theodore Roosevelt, who gave a famous speech a century ago at the Sorbonne – the "man in the arena" speech.

Roosevelt said:

"It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood ... Shame on the man of cultivated taste who permits refinement to develop into fastidiousness that unfits him for doing the rough work of a workaday world."

If today's economic crisis isn't a workday world, I don't know what is.

We do not need Chicken Littles. We need those who care for what we do to band together and work with us to ensure we reach a stronger future.

Some critics of Fairfax Media point to News Corporation as an example of what should be done to continue to promote quality journalism. I am an admirer of Mr Murdoch and News for all their achievements.

But it is critical to recognise that News Corp's publishing business, because of its corporate structure, scale and voting stock, is simply not subject to the same market requirements for performance as is Fairfax Media.

The trick is not to cross-subsidise – there is no trick to cross-subsidies. The trick is to develop an overall high performance company that enables continued

development and success of a metro publishing business in the context of a diversified multi-media company which delivers acceptable growth overall.

And this is exactly what we are doing.

Every step we have taken over the past three years, to meet all the challenges of technological evolution and audience fragmentation – which have been a part of media's history since the printing press was invented – is based on a three-pronged strategy:

First, defending and growing our newspaper and magazine publications. Newspapers are the core of our history and heritage. They give the company its values and meaning. In this digital age, we do not have the luxury – economically or culturally – of throwing out the printed word. As media products, our newspapers are constantly evolving and developing. Editorial product development from strong editorial leadership is central to our future. As is the continued development of advertising products.

And we have the results to prove our success, with steady to growing circulation – in sharp contrast to major broadsheets in Europe and America.

We believe in the future of our newspapers. And we are taking the hard steps to ensure they are firmly positioned to compete and succeed and retain their distinctive qualities in the digital age.

Second, seeking aggressive growth in the digital businesses I mentioned earlier. We own 100% of our online portfolio – unlike any other major print publishing company anywhere in the world. Taken together, we have 16.5 million unique browsers per month – up 15% year on year off a huge base.

We have the #1 news sites in the country, strong classified sites, and we have leading transaction sites in investment, dating, and accommodation.

We have in the past year expanded with the first new online newspapers in Australia in Brisbane and Perth, and in the process created a national platform for advertising and news.

We have greatly built up the websites of the former Rural Press mastheads, driving news leadership and e-commerce in regional and rural Australia. This was one of the benefits we highlighted in merging with Rural Press.

We have a comprehensive internet strategy that is massively successful and second to none in assets and prospects.

Our third strategic pillar is to build an integrated digital media company.

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.

A simple way we think of it is that we are in the process of transforming Fairfax Media into a multi-media news and information company. We have a long way to go, but we have begun the process of converging editorial content development and management, and brand management and sales, across our distribution platforms.

For us, preparing for the digital age means that the future of Fairfax depends on how well we build on what we are today.

The key question then becomes: does Fairfax Media have in its history, its DNA, the fundamental attributes or capabilities to succeed in the digital age?

The answer is yes, because the most fundamental attributes for success in the news and information business in the digital age are what we have in spades, namely: content, audience and brands.

First, Content.

We have the two largest newsrooms in the country in Sydney and Melbourne and they will remain so – more than 350 journalists in each city.

In addition, we have more than 250 newsrooms across the country and in New Zealand.

We have correspondents in New York, Washington, London, Jerusalem, New Delhi, and in China and Indonesia.

We have hundreds more journalists at the Financial Review and at our Agricultural publications.

We generate international content, national content, specialist financial and agricultural content and of course lots and lots of local content.

Our content is made available on multiple platforms.

Our metro papers and their websites, given their editorial mandate and prominence, are national platforms.

We launched our online news businesses in Queensland and Western Australia so that we could provide content from those markets to the national news network. That local content can also be relevant for national distribution.

Our content is also what I call local-local as well: news and information and reporting that have the strongest relevance to the immediate community. Gathered locally for local consumption. This is a particular attribute of our regional and community newspapers.

Hyper local remains the bread and butter of a trusted source.

We are evolving the content all the time, whatever technology will enable us to do. It is not just text and photos – video is simply indispensable to what we offer each day, and we have nearly 4 million video downloads per month from our news websites.

If narrowband was net bad for newspapers in that it allowed the building of online classified sites that have lowered price points and taken volume from the papers, then I believe that fast broadband will be net good for newspapers – principally because it will allow us to develop video content and video advertising formats that will compete with free to air and pay TV with their protected distribution systems.

Since its founding, Fairfax has been a content company.

In my judgment, fit-for-purpose content is and will forever remain king.

Our second core attribute is Audiences.

We have local and national audiences – and international, too, as about a third of the traffic to smh.com.au and theage.com.au comes from overseas.

And our audiences are growing dramatically.

Take The Sydney Morning Herald for example. It has a circulation of around 212,000 on weekdays, and 358,000 on weekends. It has a readership of well over a million on Saturdays. Online, it has 4.2 million unique browsers per month – up over 30% on a year ago. The Age has similar figures.

At 177 years old, in other words, The Sydney Morning Herald is reaching more people in more places than ever before in its history. And the same is true for The Age, in its 154th year.

This same story is being repeated across the company – in metro markets, regional and rural markets, in financial publishing, in our magazines, with our radio stations, in New Zealand, and of course online.

What changes so dramatically is how technology alters the ways in which we can reach our audience – and how our audience interacts with us.

The era of the dominance of one way mass audience communications is long gone. As I said earlier, we are no longer Zeus.

Today, we can connect with them but increasingly the audience wants to choose how they will engage with us.

The important point for Fairfax Media is that we have shown that our audiences come with us as we build new products in response to the internet and digitisation, and that we are able to extend and broaden our audiences through these new media.

Our third basic attribute is Brands.

We have some of the most powerful brands in the country. And they carry an emotive wallop.

Indeed, a lot of the public reaction to our restructure that I mentioned at the outset is because our audience feels very invested in the brands because of what they stand for.

In that sense, a lot of the debate and discussion has actually been heartening to us because of the relevance of what we do for so many readers and listeners – in print, on air and online.

And their message is to reinforce exactly what we want: to continue the high quality journalism that is so important to them, and to the strength of our brands.

Our brands therefore are the glue in the relationship we have with our audiences built as they are on our long history of journalism of the highest quality.

For over 175 years, our mastheads have been the newspapers that champion the community and dare to make power accountable.

The challenge for us as a company is to stretch the brands – to modernise them – so that they are as powerful in the 21st century as they were in the 19th and 20th centuries.

We do not know specifically what will come in the years ahead, but I know this:

If we are going to be successful, we have to understand where we came from, and build on it.

If we are going to be successful, we have to be innovative.

And we innovate from the powerful base of our content, audiences and brands.

Armed with these strengths, we believe we can hold our position in the new world.

Certainly our conclusion is we are as well positioned as anyone in traditional media worldwide.

Therefore, what is the future of print media and quality journalism?

I believe quality, independent journalism has several elements:

As I have said, first and foremost: shining a light, telling the truth, making powerful governments and powerful people accountable, and doing so with the fundamental values of accuracy, fairness and balance.

Carl Bernstein, of Watergate fame, has consistently defined the mission of journalism and reporting as delivering, "The best obtainable version of the truth." That's what we have to be able to deliver, day in and day out.

Great journalism is important on any given day, but in this era of enormous financial and economic uncertainty – something we have not experienced to this extent since the Great Depression – the premium placed on quality news that is clear and sharp and informative is at its greatest.

Second, to deliver quality journalism requires a critical mass. We absolutely need a certain number of journalists dedicated to getting news and information.

But at the same time, you can drive a meritocracy in journalism just as you can in any institution based on intellectual capital – and quality journalism demands no less.

Quality is not just about numbers – how many journalists you have – it is about performance and what our journalists produce.

Quantity does not equal quality.

A stronger meritocracy provides renewal and permits generational change – critical to any dynamic institution. The expectations of our Gen Y journalists, and their future, and opportunities for training and growth, need to be accommodated.

Another element of the quality journalism we aspire to in relation to the cities in which we publish is comprehensive ness. Being comprehensive means of course not just news, business and sport, but the arts, lifestyle, culture, science, health, the environment, and all levels of politics and society.

We also need our people overseas, so that Australian eyes and ears are capturing world events and informing our audiences about it. Australians need to make up their own minds, in the context of Australia's interests, and having Australians shape that world view is very important.

In an age of spin and PR, we also need the scale and investment to do the editorial R&D required of quality journalism – to investigate, research and develop possible stories over long periods of time – even if we have no idea at the outset if they will get to print.

Quality journalism is a blend of all these things and how they interact in a dynamic environment. The trick is to adapt to change and drive it to our advantage in a time of upheaval and uncertainty.

Therefore, and finally: What is the future of our metropolitan newspapers?

I am resolutely optimistic about their future. We have the most attractive audiences in Sydney and Melbourne. They trust us. They engage with us. They want the best from us.

Everything we are doing – the diversification and growth I outlined, the emphasis on content, audiences and brands – is to ensure our success editorially and commercially.

For a public company, engaged in pursuing the public good, quality journalism and commercial success have a symbiotic relationship – they can only go forward together.

We simply cannot pay for the quality journalism we aspire to if we are not profitable.

Managing to success in both objectives is the Holy Grail.

It is hard to see more than 10 to 20 years out. Ten years ago, the internet was in its infancy and Google did not exist. AOL offered dial-up walled gardens, and broadband was a pipedream. So it is hard to forecast what will be by 2020.

But it's not hard to say what we aspire to, and what we believe today.

My belief is that in large cities such as Sydney and Melbourne, there most definitely is a vigorous and profitable market, among the educated and higher income audiences we primarily attract, for a quality broadsheet newspaper that provides news across a range of interests and disciplines, that tells our readers what has happened and why, and which is turned to regularly for insight, perspective and sheer enjoyability because of the quality of the writing and presentation.

I believe this market for the quality broadsheets we produce is in the range of 200,000 to 300,000 circulation – higher on weekends, as is the case today. And that these newspapers will continue to provide a superb advertising platform – though with less classified and much more display advertising.

And they will be commercially successful. More modestly as a pure print product than in their heyday.

But when taken as an integrated media proposition, we will continue to have a profitable and growing metropolitan media business:

A stable, high-value print audience ...

Paying a higher cover price because of the quality, independent journalism they are getting ...

Buttressed commercially by strong display and display-classified revenues in print ...

Working in tandem with very large national online audiences, which will in turn ...

Attract new sources of advertising dollars, such as online video.

These are the commercial keys to our future of metropolitan, multimedia publishing.

I know Fairfax Media as a public company will continue to serve the public good, with high quality journalism and, perhaps more than any of our peers anywhere in the world, we will also be able to deliver new avenues of growth and shareholder returns well into the future.

Thank you for your attention.

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