



## EXCERPTS FROM REMARKS

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### Introduction

Thank you and good morning.

This is my second appearance before the ABN Amro Communications conference, and I appreciate the opportunity to return.

Last year, I presented an overview of our company in which I said that Fairfax has one of the strongest positions – in print and online – among our peers anywhere in the world.

The events of the past 12 months have further reinforced that view.

A year ago, media deregulation was pending legislation. Today, it is law.

A year ago, our name was John Fairfax Holdings limited. Today, it is Fairfax Media.

A year ago, the prospects of a merger with Rural Press were not on the horizon. Pending approval by their ordinary shareholders later this week, and favourable review by the court of the completed scheme of arrangement, we will, early next month, be creating Australasia's largest, integrated metropolitan, regional and rural print, online and digital media business, with an enterprise value of around \$10b.

A year ago, I discussed two pillars of our strategy: defending and growing our newspapers, and rapid growth is our digital media business.

Over the past year, we have added a third pillar: building Fairfax Media into a digital media company.

The first part of my presentation this morning, therefore, will discuss these three pillars and what we believe are Fairfax Media's great strengths. These three pillars, in the context of the merger with Rural Press, are our waves of change for 2007 and beyond.

I then want to turn to a discussion of pending regulatory issues on digital television and broadband policy and its importance to our future.

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In conclusion, I want to turn to some pending regulatory issues on digital television and broadband policy.

A year ago, I said with respect to the new digital television services that were under consideration by the Government:

TO THE EXTENT THAT THE RULES PERMIT THE ROBUST DEVELOPMENT OF SERVICES – SERVICES THAT PROPERLY ARE NOT FREE TO AIR TELEVISION – THEN THERE MAY BE POSSIBILITIES WORTHY OF SERIOUS ATTENTION.

We argued vigorously in Canberra that the incumbent television providers – Free to Air and Pay – should be prevented from acquiring this new bloc of television spectrum.

We argued that, otherwise, the virtually certain outcome will be for this new spectrum to fall into the hands of incumbents – preventing the very diversity that the new digital television policy was supposed to foster.

We did not succeed in Canberra. Instead, what was enacted was less clear-cut.

The FTAs and Foxtel could bid for the B license, but the legislation imposed a requirement that there be an access regime for the B license – the proposed new mobile television license – so that new entrants would have a shot at offering new services.

That access proceeding is pending before the ACCC.

We are arguing strongly that there has to be a comprehensive framework that will ensure an effective and workable access regime for the B digital license.

This is necessary to ensure that neither content supply nor customer access will be subject to control by a few incumbents who may have an interest in preventing new players from participating.

In effect, Fairfax Media is advocating that the ACCC adopt a specific bias towards access seekers to prevent the exploitation of excessive power, by incumbents in existing video and telephone markets, in the new mobile television market.

Specifically, we are requesting that two-thirds of the spectrum for the B license be held open for access by other providers.

On the other side of this debate is Telstra, which in its filing is contending that only 25% of the spectrum space be held open to third parties.

One can easily see, if Telstra or Foxtel or the FTAs wins the license, that such a de minimus access rule could easily be gamed to ensure that all the new capacity is taken up by all the old players among the Free To Airs and the Foxtel partners, snuffing out any true access content.

If these structural competition issues with respect to the B license are not definitively ironed out by the ACCC, the B license will fail as a driver of significant diversity and new content.

This same issue of access applies equally forcefully to the issue of broadband deployment.

A year ago, I said to this conference:

ONE OF THE MOST CRITICAL COMPONENTS OF MEDIA POLICY IS IN FACT TELECOMMUNICATIONS POLICY WITH RESPECT TO THE INTERNET. BROADBAND IS AN INTEGRAL PART OF FAIRFAX DIGITAL'S FUTURE. VIDEO ON BROADBAND WILL BE AN INCREASING DRIVER OF GROWTH – AND WE WILL BE A LEADER IN VIDEO ON BROADBAND FOR OUR WEBSITES.

THEREFORE, WE URGE THE GOVERNMENT TO ENSURE THAT THERE ARE THE MOST AGGRESSIVE POLICY SETTINGS IN PLACE TO PROMOTE BROADBAND DEPLOYMENT.

Unfortunately, policy settings have been stalemated due to the deadlock between Telstra, the Government, and the ACCC.

The status quo is holding us back.

And the status quo is nothing to be proud of. According to the OECD, Australia is 17<sup>th</sup> out of 30 countries in the number of broadband subscribers per population.

And among OECD countries, Australia has the highest percentage of broadband customers – 35 % -- accessing download speeds of 256k or less.

Moreover, the ultra slow pace of deployment of true broadband in regional and rural Australia is undercutting the growth – and our participation in that growth by virtue of our merger with Rural Press – of e-commerce and digital media services in rural and regional Australia.

There are three major public policy goals with respect to broadband.

First, ubiquitous deployment. Everyone should have access to download speeds consistent with their needs – which for me means something more than 2 megabits per second – and there should be the capacity to continually upgrade this.

Second, level playing field access. An access regime should be in place that is simple, transparent, and treats all content providers equally, be they voice, data or video providers. In particular the carrier – the telco – should have no access advantage or opportunity to cross subsidise between its content business and its carriage business.

And third – price. Prices should be appropriate, which to me means marginally above the cost of return on investment of the new capital required to deliver the ubiquitous broadband the country needs. Importantly, prices should not be set at a price which allows for an incumbent natural monopoly telco to receive the full, “exchange to the home”, cost of installed copper – most of which is most likely already written off. All businesses face costs of technology change – ours certainly does – and where incumbent telcos demand that competition authorities regulate prices to allow them to get a return on new capital and old capital that technology has to some extent bypassed, they are asking for a holiday from reality that we would all laugh at, were they anything but natural monopolies that could, by not investing, hold the country to ransom.

International experience shows that there are two ways to achieve the rapid deployment of high speed broadband.

In small countries where backbone telecommunications infrastructure is a natural monopoly, government ownership or regulation has dealt with the market failure of the incumbent telco defending its installed network by not rolling out broadband.

I am not a proponent of state ownership of assets and therefore the key for me is appropriate regulation. Singapore and South Korea are examples of effective regulation resulting in rapid, high speed broadband deployment. And in the UK, regulated “even playing field” access to the unconditioned local loop – the last bit of copper to the home – provides for strong competition and lots of broadband.

In large markets, such as the United States, deregulation and the fostering of competition has delivered multiple fibre optic and mobile networks at appropriately low prices, which drive rapid, ubiquitous uptake.

Clearly Australia, a very large country with only 20 million people, needs effective regulation and in particular the approach to pricing I outlined earlier.

How this issue is resolved will define Australia’s economic growth and competitiveness over the next two to three decades. It is no less critical than industrial relations reforms, or changes to the tax system, or what is done with infrastructure for other parts of the economy, such as ports and roads.

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The past year for Fairfax Media has been one of opportunity and growth. The year ahead is one of implementation and execution, on the one hand, and dynamic expansion of our digital businesses on the other.

We are optimistic about our future, and we look forward to all that lies ahead.

Thank you – and I am happy to take some questions.