



**DAVID KIRK  
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REMARKS TO THE AUSTRALIAN BRITISH  
CHAMBER OF COMMERCE  
THE CHANGING MEDIA LANDSCAPE:  
FAIRFAX MEDIA AND THE FUTURE  
12 SEPTEMBER 2007**

Thank you and good afternoon.

I am delighted to have been invited to address the Australian British Chamber of Commerce.

We have of course, just completed APEC, and it was a momentous week.

With all of the world leaders from the United States, Japan, Russia and China, one might be forgiven if the words “Europe” are not on the tips of everyone’s tongues.

But ... let none forget:

The UK is Australia's fourth largest trading partner and the second largest overall foreign investor in Australia.

Australia is also the UK's fifth largest market for goods outside the European Union, and our second largest market for goods and services in the Asia-Pacific region after Japan.

The total value in goods and services trade between the two countries was over \$22 billion last year.

So this is one vibrant Chamber of Commerce – and it’s why I wanted to be here today.

I want to discuss several things with you:

I want to talk with you today about where Fairfax Media is going, and why, and how we have capitalised on the changing media landscape over the past two years, with some particularly important developments from last December.

A significant change is in our name – which reflects how we are thinking of our company and its future. We are now known as Fairfax Media.

Fairfax Media connotes an evolution of fundamental importance – not only in what we do, but how we conceive of our company and our mission in the 21<sup>st</sup> century.

The emergence of Fairfax Media is a result of our organic and strategic growth, both in print and especially online – and what these mean in a world of convergence, which is driven principally by the internet and digital technologies.

It reflects our aspiration of being a genuinely integrated digital media company.

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, rural and regional, 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.

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 5 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 and New Zealand House and Garden.

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.

In a nation of 4 million people, Trade Me has over 1.75 million members – in a nation of four million people. 65% of all the 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.

In July, we joined with Macquarie Media Group Limited in a proposal to acquire Southern Cross Broadcasting (Australia) Limited pursuant to a scheme of arrangement. If the acquisition is completed in October 2007, as we expect, Fairfax Media would acquire Southern Cross' radio business (including metropolitan radio stations 2UE here in Sydney, 3AW in Melbourne, and the talk stations in Brisbane, and Perth), and the Southern Star television production business.

Before discussing these transactions in the context of our overall strategy, I want to talk today about the dimension of change in media and managing that change – something that is a daily fact of life for us.

All of us in this room have a stake in these things – because media is indispensable to our democracy and the freedoms we cherish.

How we meet our responsibilities in a time of significant change is a very important issue.

We live in a world of 40 million blogs on the net.

This year, advertising on the internet here in Australia will exceed a billion dollars, and will be greater than advertising dollars committed to Australia's entire radio industry for the first time, and greater than the ad dollars spent in magazines in this country.

From the macro to the micro: consider blogging:

Some 150 journo blogs now operate in Australia, with some 30,000 comments being contributed every day; 23 per cent of Australians surveyed are spending more time participating in personal broadcasting, including blogging and the sending of photos.

What does this tell us?

In the media business, it's very straightforward:

There are two iron laws at work here:

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.

Even though we have suffered some loss of audience in print,

*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.

In managing change, it is important to utilise the knowledge and expertise of our people.

I believe the most fundamental asset for any organisation facing change is the right people.

It may be a cliché but it does not make it any less true:

Managing change is managing people – having the right people in the right place at the right time, with all the resources necessary for them to do their jobs effectively.

The capacity to adapt personally and to manage change is an attitude of mind.

It requires intellect, self belief and courage.

To manage change, leaders of organisations have to conceive – and to an extent design – the future they want. And then, not knowing all they would wish to know, nevertheless cast off from the familiar shore and set sail.

The intellect begins the journey but it is emotional strength that completes it.

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.

As I mentioned, we have three prongs to our strategy:

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.

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 is celebrating its centenary this month.

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.

The SMH is a case in point. Under the editorial leadership of Alan Oakley – one of the great newspaper editors anywhere – the Herald is in touch with Sydney, crusading on issues that are important to this city's future. It is holding the State government accountable, and reporting fearlessly on everything from APEC to politicians sanitising their bios in Wikipedia.

That's what a great newspaper does: it stands up for its readers. And our readers are responding positively.

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 overall 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 just 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.

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.

Let's look at Fairfax Media's internet position in a little more detail.

In 2007, our internet revenue grew by 38%, and EBITDA was just over \$37 million, up 54%. This growth is continuing. Trade Me's exceeded its earnings target of \$45 million in the year to March 07.

We have gained market share in key categories.

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 are building 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 with the pending acquisition of the Southern Cross metro radio stations and the Southern Star video production company.

This is a strategic extension for Fairfax Media into metropolitan radio and video production.

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.

Achieving this third pillar of our strategy – building a great digital media company – has made us revisit our culture –

not our values of integrity, honesty and independence, but to revisit our culture –

and the changes we wanted to make inside the company in order to be true to all the potential captured by the evolution of Fairfax into Fairfax Media.

Given the rapidly changing nature of media markets we need to build a culture that encourages innovation, considered risk-taking, creativity and agility – attributes not always associated with safe old newspaper publishers.

But where the internet and digital technology – where Fairfax Digital and Trade Me have taken us – is the realisation that we need to be collaborative and connected across the natural boundaries of print and digital, editorial and advertising, Sydney and Melbourne, New Zealand and Australia, if we are to build a digital media company that creates, distributes and monetises content across many different media platforms – newspapers, magazines, the internet, mobile phones and anywhere else we can.

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.

Most importantly, we have the resources and critical mass to significantly originate substantial amounts of news.

Other media aggregate information that is provided primarily by us as newspaper publishers.

We set the news agenda. We are a primary source, every morning, for what you hear on radio, and the trigger for television coverage that evening.

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.

We know where we want to go: We want to build Fairfax Media into a genuinely digital media company with strong growth – and continue to be a great Australian media company.

Thank you.