

EXTRACTS

AN Smith Lecture 2011
Delivered by Greg Hywood
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Extracts 1

Ladies and Gentlemen

It is an honour to be here this evening to present the 2011 AN Smith Lecture on Journalism.

This lecture holds a special place for us all – and over the years there have been critical thinkers and leaders standing at the lectern.

For anyone in the room who joins us tonight for their first AN Smith lecture, Arthur Norman Smith was a founder of the Australian Journalists' Association and served as its first general president and for five years as its general secretary.

Members of Smith's family presented £200 to the University of Melbourne to endow an Arthur Norman Smith Lecture in Journalism.

The first annual AN Smith Lecture in Journalism was held in 1938. I have no doubt there will be reasons to stop, pause and think about journalism in this forum for at least a similar period into the future.

The timing of this year's lecture could not be more appropriate.

No one in this room has had any doubt about the speed of change in the media industry, and the last week or so certainly underlined the point.

The changing of the guard at News Limited and the Fairfax family effectively leaving the Fairfax Media shareholder register are in many ways quite profound.

I would like to pay homage to the extraordinary contribution of John Hartigan to media – to journalism – in Australia and recognise the qualities of the man himself.

A true journalist – he has fought for, and defended freedom of the press.

He has done more than simply mouth the words – he has led the campaigns. He is at his core, an honourable man.

His successor Kim Williams is an individual of unquestioned intellect and ability and News Limited, under his leadership, will remain a formidable and welcome competitor.

And to Fairfax.

The decision of John Fairfax and his family to sell their significant interest in Fairfax Media is an important moment and needs to be marked.

When it occurred last Thursday my Chairman and I were both full of praise and respect for the family, as founders and as passionate news people.

They are a family who has championed independent journalism. We in return appreciated their words of support for the company and our strategy.

Fairfax Media has a strategy, a strategy that is demonstrably working.

We are well progressed on our journey of change – change from a traditional old style media company to a modern and smart media company.

And ladies and gentlemen have no doubt we are a smart media company.

Our metros now account for only around 20% of our revenue. The balance made up by our growing digital businesses and our strong regional and agricultural businesses.

Our readership has never been greater.

And at the very heart – the very core of our strategy – is our journalism – and that is what I want to talk to you tonight.

The ‘chicken littles’ out there - and dare I say it some in this room - bemoan the end of media companies as we know them.

Some worry about the current chaos created by the cacophony of voices on the net.

And have nightmares about a brave new world without us.

Others wonder whether life without us would be a blessing.

All wonder whether the role of ‘journalist’ is over.

Well as the teaser for tonight said “if you ask me about the future of newspapers you have asked the wrong question”.

I believe the future of journalism has never looked stronger.

And this is because of the internet, not despite it.

The future of journalism should not be confused with the future of print – journalism can be delivered in any number of ways

- Online
- Smartphone
- iPad
- iptv

And journalism at Fairfax is, as I said, at the centre of smart news media businesses.

And I would argue it has not always been the case.

In “the good old days” when newspapers were a licence to print money the journalism was an added extra delivered by the proprietors to leverage political and social influence and in some cases a dollop of public good.

The business in those days was the classifieds.

They made the money, they drove the business.

Not anymore.

At our AGM last week I said BHP might produce minerals, Coca Cola – beverages.

Well we produce journalism.

Once I would have said classified advertising. Now I say journalism.

In last year’s AN Smith Lecture the talented Annabel Crabb focused on her new digital journo existence. If you would indulge me briefly I would like to take you through my journey – that of a journo a bit older than Annabel – the old to new media – and why I think great independent journalism has never had a stronger future.

My early career sounds like it’s straight out of the script of The Front Page with a unique Australian twist.

Extract 2

Then came the internet.

I went to Silicon Valley in the mid 1990's and a couple of Indian guys showed me how you could search classified on the internet.

It was there in black and white – but it wasn't ink.

It was the end of a 160 year old business model.

Not a change. Not an adjustment. Not a tweak or a twiddle.

The end. Nada.

Of course as it became clear that the internet not merely created a plethora of new channels with which to distribute news and information, but cut into media companies revenue by lowering barriers to entry ... concerns set in.

Well, panic really,

Who was going to pay for the journalism, people -mostly journalists - started asking?

The fact was that once you need a 100-plus year old brand and a \$250 million press in each city to play the classified game.

Now all you needed was a \$10,000 website, a rich father, a smattering of maths and risk aversion.

Sitting on my side of the desk, the late 1990's were a critical time for an industry that had seen no fundamental change to its business models in a century or more.

Did you destroy your business to save it?

In Australia we got it half right – we saved the journalism - but failed to completely secure the old business.

We at least put our journalism up online quickly.

This was a critical call and it worthwhile remembering how early we made it.

We launched our digital business in 1995 with smh.com.au and theage.com.au.

Think about it - that's less than two years after the World Wide Web went live.

We were building this business before many competitors had even given their employees internet access and email.

To give you some perspective – that's two years before Google, and years before our major competitor in our market, News Limited went online.

We were the first Australian news websites.

And the most successful. A position we continue to hold.

It certainly differentiated us from our American counterparts where online news media leadership was captured by others such as Yahoo, CNN and the television networks.

We did not run or hide from the internet – we embraced it and by putting our journalism on the net for free we effectively moved a large print audience into a much larger digital audience.

This was the magic move.

It delivered us the potential for a long prosperous post-print future that I will outline in a moment.

Well documented is that we pretty much dropped the ball on keeping the classified business.

It is easy to roll your eyes and wonder what on earth was going on.

Wasn't this a no-brainer?

But no-one should underestimate the difficulties.

Consider this dilemma ...

Once fixed costs were met the profit margin on print classified was 70 percent.

Yet here was a technology - the internet – that required you to deliberately cannibalise your own children and make much less money... a 20 percent margin if you were lucky.

We tried to do both.

Defend the past – and engage the future.

We did well in real estate with domain.com.au.

And we remain in the game in jobs and cars.

But by and large the newspaper companies' defensive tactics did not work well - and along came Seek, Carsales in Australia Craig's List in the US.

It was a fair question to ask of a company like Fairfax - which even 10 years ago had 65 percent of its revenues dependent on those classifieds.

How it could hope to survive?

In FXJ alone we have 3,000 editorial staff... sniffing around, lifting the lid, asking the questions no-one want asked.

It is not easy to construct a business model of annoying the hell out of people.

Was an experienced and professional fourth estate - so critical in making sure the power structures in our community were made accountable - about to fall and be replaced with a fragmented, undifferentiated world of blogs where loud and raucous advocacy rules?

Woody Allen once said 90 per cent of life was showing up .

My father once told me 50 percent of problems resolve themselves.

And the media is made up of some of the smartest, most resilient people on earth,

So I must say I was never particularly concerned.

I was always a believer in the power of journalism, its capacity to adapt and the community's acceptance that it was a fundamental requirement for a civil society.

The issue was straightforward – could the traditional newspaper based media company remake its business model?

There are still people out there who still think this is an issue.

But it is an old story and as I have said before it's asking the wrong question.

The fact is this business model is being remade and is prospering.

Extract 3

At what point are our critics going to wake up and realize we have done it?

When we get through this particularly difficult cyclical downturn in the ad market I will rejoice in reading out the quotes of those commentators and market analysts who keep saying it can't be done.

Some facts.

Fairfax has a greater readership than it ever has.

We have 6.7 million unduplicated users across our websites - up 30 percent in five years - way larger than the good old days of 30 years ago.

The naysayers said you could never shift the revenue from print to online - but last year print ad yields went up 2 percent in a difficult market.

Online - 16 percent!

Why? Because advertisers want a quality market of engaged readers and know it does not matter whether they reach them in print or online.

Our readers want our journalism in a variety of formats.

Tracking and fussing about print circulation is an out-dated and nearing irrelevant form of measurement in the world media companies now inhabit.

Today it's about readership - and what drives it and who the readers are.

And if you think readership sounds like people reading physical newspapers - think again.

The idea that circulation is the beginning and end of understanding how a masthead is travelling just doesn't cut it any more.

The real statistics tell a powerful story.

In the newer delivery platforms - applications for smartphones and Tablets - we are achieving astonishing penetration.

More than 2 million Fairfax apps have been downloaded on smartphones, while tablet apps for the Sydney Morning Herald and The Age have been downloaded by more than 300,000 readers.

Our smh.com.au website is the nation's leading digital newspaper masthead, topping 3 million readers in September – and that counts each visitor to the site only once, even if they logged on during the month from different computers at home and work, or on the move.

The Age website reached 2.3 million readers during September.

Importantly, we are not only attracting more readers – our readers find plenty that interests them on our sites.

Visitors to smh.com.au spent more than 45 minutes, on average, on the site during the month of September.

Media buyers and planners understand it and as I said prices for online ads are rising faster than print.

What has changed is the work-load.

Forget filing once a day.

This is a more demanding environment than the lazy days of classified monopoly.

As you can see from this graphic – we have to meet our readers – our audiences – needs when they want to be met – which now is 24/7.

And in this crowded, chaotic environment you have to provide the best, independent news, and analysis all the time.

It is all about trust.

Which brings me to the Media Inquiry.

Now in the context of this lecture these comments will date quickly.

But I offer them in the context of history – in case in the distant future a deliverer of this lecture is researching the past contributions.

All I can say to my successors is yes.. it is a consistent theme ... the government is trying its best to restrict press freedom.

As always.

As this room knows better than most, we live in an age where opinions can be formed, disseminated, digested - and possibly twisted - in moments in a fast-flowing stream of tweets.

The new fast ways of communicating are satisfying or even perhaps feeding a latent public hunger for greater engagement with political and policy developments.

And personally the more engaged we are, the better the outcomes for society, community and country.

The challenge that we face as a community, and as a media industry, is to foster this public engagement with the issues of the day while ensuring that the exchange of ideas taking place in the blogosphere is a constructive contributor to the democratic process.

I believe, and I will say it again and again tonight, we all play a critical role as trusted sources of fact and comment in meeting this challenge.

It is professional independent journalism and expert comment crafted, edited and curated by professional media operators that provides the foundation to the new platforms for debate – setting the agenda as it has for so long.

Our strict structural separation of editorial from advertising activities is key to the way in which we do business, but our commitment to dealing with public interest considerations in a responsible and ethical way extends further – to the codes of conduct that we require our employees to honour; our fact checking processes; and our rigorous approach to complaints handling.

The best defence we have to a free and rigorous press is not some government funded regulatory regime that has the potential to be pushed and prodded and bullied into curtailing what we do ... which is asking the questions people in power do not want to be asked .

Our best defence is to have our publications edited and led by sort of people who lead them now – experienced professionals who have spent a lifetime balancing out a cacophony of competing interests and defining a fair-minded news coverage and multifaceted commentary.

While any system can be improved, we believe that the core attributes of the current regime – under which journalists have the freedom to report any issue without fear or favour – is as fundamental to our strong democracy today as at any previous time.

I don't think I need to spell out the dangers that may emerge if this ever ceased to be the case.

In CLOSING I would like to share a couple of quotes from Chris Anderson, the editor in chief of *Wired*.

These quotes are from a piece he wrote that was included in an article called "The Web is dead. Long live the Internet."

Now Chris not just a geek - *before joining Wired* in 2001, he worked at *The Economist*, where he launched the magazine's coverage of the Internet.

He has a degree in physics from George Washington University and did research at Los Alamos National Laboratory.

These quotes are from October 2010 – and they are only more relevant today - he is talking about how power has shifted from the web to the internet.

Note the distinction.

The web is the search function of the internet. The internet has full delivery functionality.

Chris Anderson said:

"Now it's the Web's turn to face the pressure for profits and the walled gardens that bring them. Openness is a wonderful thing in the non-monetary economy of peer production. But eventually our tolerance for the delirious chaos of infinite competition finds its limits. Much as we love freedom of choice, we also love things that just work reliably and seamlessly. And if we have to pay for what we love, well that seems increasingly okay."

He concluded saying "The internet is the real revolution, as important as electricity; what we do with it is still evolving. As it moved from your desktop to your pocket, the nature of the Net changed.

"The delirious chaos of the open Web was an adolescent phase subsidized by industrial giants groping their way around a new world. Now they're

doing what industrialist loved best – finding choke points. And by the looks of it we're loving it."

And amidst the proliferation of new brands and new technologies brought by the Internet – Facebook, Apple, Google - stand the supposed dinosaurs of the media industry – the traditional newspaper based companies like Fairfax, News Ltd in Australia, the New York Times, the Wall Street Journal, The Times, the Guardian, The Financial Times. etc...

Out of fashion at the best. Destined to die say the cynics.

Yet the point Chris Anderson is making, and the point I have been making tonight as the CEO of one of these companies is that the world is changing dramatically in our favour.

For what we do is what we have always done and for what there is and will remain a healthy market.

We provide solutions for our audiences.

A key solution.

We help them understand their world.

Every day we put thousands of journalists to work to find out what is going on...via face to face interviews, observing court proceedings...telephone conversations ...we draw information in from a vast array of different sources - traditional media – Reuters, the New York Times, Bloomberg, televised media and social media.

We take commentary and analysis from outside contributors, we filter it down into a visually digestible and time appropriate form so that our audience knows ... out of all that madness out there... what's going on.

We do so under brands that have been around for in some cases over 100 years and bring with them trust and reliability.

Yet somehow amid the debate about the future of media the decline of print became a metaphor for a crisis of journalism.

What nonsense.

While there might be some romantic notions around print, the smell of the ink, the art of its practitioners - print is merely a delivery technology.

And we all know technology never stays the same.

For the vast majority of the life of man the technology of journalism was the human voice.

Story telling.

Then came handwriting. The laborious crafting of books accessible by a super elite.

Then came print which democratized learning for the last half millennium.

The past 100 years has seen electronic forms of communication proliferate - first the very basic telegraph, then the telephone, radio, television and then in the 1990's its most profound manifestation- the internet.

As Phillip Knightly told the Melbourne Press Club in 2002 - for the first time in the history of mankind the internet enabled the supply of information to exceed the demand.

So go revolutions.

To this point - that technology came be used in a plethora of hardware: desktops, laptops, tablets, smartphones, iptv -- and in any manner of applications: apps, Facebook, Twitter, Linked In.

Who knows what next?

And of course globally there have been many great media companies that have failed to make the transition.

Fairfax Media is not and will not be one of them.

My premise tonight has been that the future of newspapers is not the question people should be asking.

Equally the future role of journalism should not be questioned.

Independent, trusted and valued journalism and journalists has never been more important – and it is at the core of the future success of Fairfax Media.

We have zero doubt about it.

Thank you for your time this evening.