

Fred Hilmer's Fairfax

News, the Internet and the bottomline were among the topics addressed by Fairfax chief executive Professor Fred Hilmer at a recent speech to the Australian Institute of International Affairs

Speaking at "Reflections on the Newspaper Business, Today and Tomorrow", Professor Fred Hilmer gave a rundown on the state of the Fairfax business, before addressing audience questions on Internet publishing, convergence and media bias.

He described inheriting a company with some of the world's greatest papers, which had shrunk from a *media* business to a newspaper company after shedding broadcasting and print assets to get through difficult times. When he arrived at Fairfax he said, there was a new printing plant at Chullora, but *The Age* was "limping along" and had resorted to discounting to deal with problems caused by neglect.

To take the company forward, Professor Hilmer set two goals: to build the core business that had been on a "shrink path", and to develop new platforms for growth. The newspaper company needed to be a media company, with distribution networks as well as content.

The "first, painful phase" involved cutting \$40 million from the cost base. To underline its significance, he described visiting the *Washington Post* after his appointment and asking management what worried them most about newspapers. It wasn't the Internet, or the ability to win Pulitzer prizes, they said: it was how to control the cost base.

Fairfax's costs were increasing faster than revenue, so Professor Hilmer's challenge was to "take out fat without cutting bone" to maintain the company's credibility in financial markets. Following the initial "crash program", he oversaw cost cutting as opportunities arose and introduced work groups to collect data and analyse the processes involved in getting the newspapers printed.

The second phase involved examining the revenue base and marketing. In his view, a newspaper can never be better than its content but it can also be worse if it is not marketed. Although the *Sydney Morning Herald (SMH)* was marketed as "Tomorrow's Paper Today", its point of sale - newsagents - were often the shabbiest store on the street, with untidy bundles of paper wrapped in chicken wire and yesterday's foldout.

To develop revenue streams, papers must look better, be better displayed, have people notice them, attract new customers, build their habit and get them subscribing, Professor Hilmer said. At Fairfax, this involved repackaging parts of the papers as advertising platforms. For example, the *SMH's* "Money" section is now tabloid with more content and showing spectacular revenue growth.

The strength of the business was the ability to reinvest. Fairfax had spent a large part of this year's profit on new printing facilities and reducing systems problems in producing editorial. The newspaper

of the future needed the best technology, used well, to enhance the reading experience and get the papers printed on time.

Hilmer thought Fairfax had got out of the mindset that media is a mature business. The *SMH* and *The Age* were great platforms, with many areas to grow. But they needed to find niches and be aggressive like suburban newspapers had been in attracting real estate advertisements.

The other major growth platform was the Internet. Quoting American commentator Thomas Friedman, Professor Hilmer said: "The Internet is scary because anyone can talk to anyone and do what they want and no-one is in charge". In his view, audiences are attracted, not because the government has granted the business a licence, but because the business has matched its content to their needs.

Since his arrival, Fairfax had begun developing projects for the next 10 years, something which had not been done previously. With loyal, long-serving staff and great journalists, there was capacity to produce better and more contemporary papers to keep Fairfax strong and relevant, he said.

Answering audience questions about online revenue, Professor Hilmer said the Internet was here to stay and that feasible businesses would emerge. Fairfax had a portfolio of options based on core competencies (news, classifieds) and new angles like website building services. The *Good Weekend* magazine ran for 10 years before making a profit. Fairfax would bet sensibly and within its capacity - if it saw a profit stream, it would go in hard and cut losing projects, he said.

Building revenue required investment. Fairfax's main asset was its mastheads. At some point, Professor Hilmer was confident that people would put a value on them and would be charged to get the *SMH* online. Fairfax already charges for some parts

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online, such as older archives.

Asked about the effects of globalisation on business, Professor Hilmer responded that "globalisation doesn't mean the whole world is global," alluding to Thomas Friedman's Lexus and olive tree metaphor of the co-existence of world trends and the desire for community. Describing Fairfax as a "multi-local company" in the "olive tree business," he said:

"Nurturing olive trees is important but globalisation allows you to feed those under the olive tree with global quality news". Electronic transfer of data and photos meant that "sitting under the olive tree you can see the Lexus brought to you."

On the issue of Asia bias in newspapers, he reflected that everyone who sees things representing them thinks there is a focus on bad news. While he was not sure if this was factual, he said that "humans as information processors have a strong perception bias" and tend to retain vivid images of negatives more than positives. Each side of politics always thought the paper was against them. Whether this was the reality would need scrutiny. He recalled that when he wrote a book on the growth of the Japanese economy it had been reported favourably but that when the bubble burst there had been bad press.

On whether there should be a media ombudsman, he responded that "all regulation has a price - who wants to pay for it?" There was no perfection -

it was an imperfect world and the price of regulation was inhibiting freedom of information and flow of communications and encouraging censorship. He thought that newspapers had tough critics and competition: "No-one has to buy a paper", he said. If it was unbalanced, incorrect or unappealing, then "let the market be the judge, rather than someone in the political process who brings their own view on free speech". He said that he felt strongly about not regulating free speech.

On the issue of convergence, print and broadcast newsgathering techniques would always require different skills, he said. The idea of convergence can be "overdone".

Julie Eisenberg

Fitting public sector media into the digital plan

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strategies come into their digital delivery plans? After a long, embarrassed pause, there was little answer.

This reticence seemed at odds with the CRF keynote address given by Malcolm Long, former head of SBS, and author of a report on datacasting technology and services to DCITA.

Long's final point to the CRF was that an interactive, digitally literate citizenry would be crucial to Australia's social and economic future. The ABC has already demonstrated this aim in its development of ABC Online. Johns has suggested the organisation would be keen to multi-channel its digital bandwidth in order to deliver further information

and educational programming.

While it would be naive to suggest that economic pressures are not also driving the ABC's digital agenda (its

interest in datacasting is a case in point) it would be hoped that future government forums encourage more rigorous debate about the role of public sector media in our digital broadcast planning. If not there, then where will such issues be openly interrogated?

Fiona Martin is a postgraduate research student at Southern Cross University. Her paper "Pulling Together the ABC: the role of ABC Online", delivered at the CRF, is published in the November issue of Media International Australia Incorporating Culture and Policy

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