Australian Competition & Consumer Commission	Walkley business lunch *Will the media survive the digital revolution?* Graeme Samuel, Chairman 16 October, Sydney

Introduction

Ladies and gentlemen, welcome to the past.

What we are engaging in here today will in a few short years be viewed as some arcane, ancient journalistic ritual. Me, up in front of a group of mainstream media reporters and members of the business community, delivering my views in person.

I had thought about posting this speech on YouTube and sending you all a link. But frankly I didn't like my chances of getting a hearing against a top ten that included a US college student getting tasered and a debate about whether the earth is flat!

Unfortunately my Second Life avatar was also unavailable today, so you're stuck with me I'm afraid.

Still, if I had decided to come to you via new media I'd be denying you all the pleasure of sitting through what Senator Joe Ludwig once very delicately described as my "lack of economy of words".

Now, some of you may scoff at my opening remarks about "traditional media", but in the minute or so it took me to make them, another 80-odd new blogs were created. According to Technorati's April *State of the Live Web* report, around 120,000 new weblogs are created worldwide each day.

Sure, blogs have their critics, and it's fair to say a number don't represent a credible threat to the mainstream media. Or do they?

According to Technorati the number of non-mainstream blogs in the top 100 most popular information websites is on the rise. During the third quarter of 2006 there were only 12 blogs in the top 100 – in April this year there were 22. Those at the top of the list, reputable mainstream media organisations, must be nervously wondering what to do as they watch the newcomers, the bloggers, slowly but surely creeping their way up the ladder like pirates with daggers between their teeth.

What is even more worrying for these traditional media organisations is that some of their assumptions about users trusting known brands are starting to look a little shaky.

User testing in early 2007 indicated to those carrying out Technorati's survey that audiences are less and less likely to distinguish a blog from, say, nytimes.com or other mainstream media sites. For a growing base of users, these are all equally valid sources of news, information, entertainment, and gossip, and users are not necessarily discriminating between traditional and new sources.

Where once media companies could reassure themselves that audiences would always default back to traditional houses of journalism, this is becoming less and less the case, although it must be said old media companies do still dominate many of the most visited sites.

Incidentally, it took 320 days for the blogosphere to double in size from 35 million to 70 million sites. In April there were 17 posts being made to blogs every second – it's no doubt more than that by now.

Japanese also overtook English as the most commonly used language in blog posts, followed in third place by Chinese.

So what does that mean for those of us here today? Quite a lot actually. For the media it means finding new ways of remaining relevant to an increasingly fragmented and disloyal audience. For regulators like the ACCC, it means ensuring regulation relied on during the last century does not become an irrelevant fallback position that fails to serve the public's best interests.

Let's have a look first at what all this means for the journalists, media proprietors and business community, before we talk about the task ahead of regulators.

A media under siege

New York Times Company publisher and chairman Arthur Ochs Sulzberger Jr sent shockwaves through the newspaper world earlier this year when he declared, "I really don't know if we'll be printing *The Times* in five years, and you know what? I don't care."

His statement was not meant to be a morbid prediction that one of the world's great 'old' media brands would soon be dead. What he was trying to say was that old media companies could no longer rely on revenues of the past and needed to develop ways of drawing money out of new technologies.

In a sense he was stating the obvious. It is no secret that traditional media revenues are wilting on the vine. The rivers of gold that once flowed through the classifieds pages of our broadsheets and the advertising departments of broadcasters are drying up.

According to the *2007 State of the News Media* report the news business hit a pivot point this year and entered a new phase whereby most media companies were accepting the need to become more niche players.

Not only does the report – compiled by journalists – warn that major broadsheets may find themselves irrelevant during this phase, but that advertisers may also not rely on media in the way they once did. Where once media represented the town square of public debate, this was becoming increasingly less the case.

Some have tried to stem the tide by constructing their own Maginot line around their businesses and trying to lock up their premium content.

This experiment has been largely unsuccessful. Last month Rupert Murdoch hinted that he may look at dropping subscription fees for the *Wall Street Journal* on-line, one of the few sites generally regarded as being successful at earning extra revenue through this model. It follows the lead of other major US and UK mastheads that have tried and since dropped fees for on-line content.

With such a seemingly unstoppable sea of change, some media companies are thinking seriously about no longer swimming against the tide, but trying to go with it.

New models emerging

Every major newspaper, radio station and television station in this country has to some degree embraced the digital age. Blogs, moderated by journalists, now sit alongside traditional articles and commentary on newspaper websites. Television stations are increasingly making their content available on-line and radio is finding a new lifeline through podcasting and streaming on-demand content.

The rise of illegal video downloads, made possible by faster internet speeds, has seen some television stations respond by showing popular series on the same day they are aired in the US. There is of course little value for an advertiser if most viewers of the show they are paying to be part of have already downloaded and watched it months ago.

By midday I can go to *The Australian's* website and read John Durie's latest blog posting, or I can see what discussions Peter Hartcher is leading while I eat my lunch.

Wire service copy from AAP, Reuters and range of other international and domestic wire sources streams into constantly updated web pages throughout the day, and at 3am every morning my trusty Blackberry buzzes to life with summaries of the important news I need to know that day.

In recognition of the rise of blogs, some companies are taking a leap of faith and trying to severe ties with the old world altogether.

I'm not about to suggest that Crikey has become a substitute for *The Australian Financial Review*, but it has found a niche and got others thinking.

The defection of a number of the country's most highly regarded business commentators to an on-line start-up is also proving to be an interesting experiment.

If I'm looking for a summary of business commentary, I could certainly do worse than visiting *The Eureka Report*, where, for a fee, I get access to Alan Kohler, Robert Gottliebsen, and Michael Pascoe – all recent converts from the old world to the new, and some still with a toe in both camps. And soon, Business Spectator will be launched with an array of free content (including international content) from highly respected journalists who are expected to throw down the challenge to accepted mainstream financial newspapers, including the Financial Review.

But there's also a handy link to the likes of Elizabeth Knight at Fairfax and Matthew Stevens at *The Australian* if I don't feel like hunting out their sites of origin. With the opening up of more international content, the thoughts of Maureen Dowd, Thomas Friedman and many, many other well-known names are also just a click away.

But what's particularly interesting in some of these experiments to keep up with the bloggers is that media organisations are starting to lower the drawbridge just a little and allow some of the raiders inside.

Many eyes around the world are currently trained on London's *Daily Telegraph* newspaper – or should I say website. Last year the paper moved into dedicated facilities designed to integrate the on-line and 'dead tree' versions, complete with studios for recording video and sound content for the variety of platforms the company now uses to communicate with its audience.

Blogging is obviously a part of *The Telegraph's* digital vision, but rather than simply asking journalists to contribute, the organisation has flirted with the idea of allowing readers to publish their own blogs on its site.

This is a big leap of faith, as editors can't possibly hope to vet all content going out through these channels. The sacking of blogger Jack Marx from the *Sydney Morning Herald's* website earlier this year for apparently crossing the line and publishing inappropriate comments about Opposition Leader Kevin Rudd highlights the potential dangers of editors relinquishing too much control over the content that goes out under the organisation's name.

But it may be an unavoidable risk. Editor of *The Guardian*, Alan Rusbridger, conceded earlier this year that the old model of editors who commission and sit in judgement of content may not last much longer in a new digital age.

As he put it, "handing down tablets of stone and telling people, 'this is how it is' is a less persuasive proposition than it once was".

But even *The Telegraph's* bold moves are tentative in comparison to some of the new models being trialled around the world.

South Korean-based OhmyNews.com started with a handful of traditional reporters and a similar number of editors whose task it was to check contributions sent in by the public. Under the slogan, "Every citizen is a reporter" it has grown to the point where today around 160 articles from a wide range of contributors are published every single day. In-house reporters only account for around 20 per cent of the total published content. Not only did this business survive the dot.com crash, it has become highly influential, won international journalism awards and has been credited with having an impact on national elections.

Similar experiments are underway in India, Europe and North America. At thedailyacts.com becoming a journalist is easy – you just click the button at the top of the page.

These are still experiments, and many are likely to fail. Backfence.com, a localised citizen news site founded by a former editor of Washingtonpost.com, announced recently that it was winding down due to issues with the business side of the operations.

Lastly, let's not forget about those reorganisers of news, rather than the generators. If trawling through national newspapers looking for stories of relevance on the pending election takes more time than you're prepared to invest, Google's dedicated election website can send you an alert any time an issue in your electorate pops up. Even our politicians have been by-passing the usual channels by launching policies on YouTube, Facebook and their own, dedicated sites.

Protecting the public interest

This brings me to the question of how we go about ensuring the public is the winner as a result of all this upheaval. Should we now be treating YouTube the same way as Nine News, now that they both carry messages from the Prime Minister?

On first blush it would appear convergence is already working in the consumer's interest by providing a range of new content. New forms of distribution, be it over the net, portable devices, time-shifting, IPTV or other formats promise more flexibility and new services. Extra competition is also good news, as it means potentially better prices, more innovation and wider choices for advertisers and consumers.

But as *The State of the News Media* report reminds us, just because there are more outlets providing content doesn't mean a broader range of content is being presented.

From experience we also know the old guard isn't about to roll over and accept its fate without a fight.

As regulators we need to ensure that content does not become locked in the hands of the few, to the detriment of consumers or advertisers.

Empire building seems to be a natural tendency in the media world, as indeed it is for many industries, and we have already seen substantial reorganising of a number of Australia's major media brands as a result of new media ownership regulations. 'Old' media companies have also been quick to snap up a number of promising internet businesses.

Despite the apparent increase in diversity that the digital age promises, there are still very real risks that we may end up the poorer if we do not keep our eye on just where control lies for the material we want to receive. As I've mentioned before, with the actual distribution models constantly changing, second-guessing and trying to control the dominant platforms isn't likely to be a successful strategy.

What remains important is access to eyeballs, and the content those eyeballs are seeking is becoming increasingly important to our considerations when assessing media mergers.

I should note of course the new diversity rules that have come into place as additional tests any deal must clear, and ACMA of course has a very substantial part to play in shaping the new media landscape to the benefit of the Australian public.

What is important here is that the way we assess media is evolving to reflect the changes in the marketplace.

Conclusion

Rupert Murdoch thinks the last newspaper will be printed in 2040 – and maybe he'll be right. Afterall, the world scoffed in 1975 when Bill Gates predicted the world would one day have a computer in every home.

But even predicting the death of newspapers is becoming old-hat and it seems the death of broadcast TV is now firmly on the pessimists' agenda. How long will it be before we are talking about the imminent demise of the internet? Or should we be looking at the web 2.0 movement as a sign that's already come?

Following the lead from the US we can already see the looming Australian Federal election is a battle being fought increasingly on-line. Peter Garrett has already labelled it the 'Google election'.

Coping with change will require flexibility from both the media and regulators and that change will only continue to accelerate. But the legacy of that change is that technology and the growing swell of community input is placing the future of the industry in the hands of the public.

I for one can't wait see what they do with it.

Thank you.