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Before the Federal Trade Commission's Workshop:

***From Town Crier to Bloggers:
How Will Journalism Survive the Internet Age?***

December 1, 2009

Thank you, Chairman Leibowitz, for that very kind introduction. You and Commissioners Harbour, Kovacic, and Rosch are to be commended for holding this timely and important workshop.

I particularly want to thank you for inviting *me*. It is a credit to this Agency that a wide variety of views are represented here today. Clearly the FTC recognizes that a diversity of viewpoints is vital to debate in a free and open democracy. I appreciate the opportunity to speak to such a distinguished audience. And I am pleased that this workshop is being carried by webcast, so that many more Americans might participate.

We have just heard two excellent reports on the history and current state of journalism from Rick Edmonds and Paul Steiger. That leaves me to talk about my favorite topic: the *future* of journalism. For a newsman like me – whose company's assets include print, television, film and digital news properties – this is a particularly compelling subject.

We meet at a time when many news enterprises are shutting down or scaling back. No doubt you will hear some at this workshop tell you that journalism is in dire shape, and the triumph of digital is to blame.

My message to you is just the opposite. The future of journalism is more promising than ever – limited only by editors and producers unwilling to fight for their readers and viewers, or government using its heavy hand either to over-regulate us or subsidize us.

From the beginning, newspapers have prospered for one reason: the trust that comes from representing their readers' interests and giving them the news that's important to them. That means covering the communities where they live ... exposing government or business corruption ... and standing up to the rich and powerful.

Technology now allows us to do this on a much greater scale. That means we now have the means to reach billions of people who until now have had no honest or independent sources of the information they need to rise in society, hold their governments accountable, and pursue their needs and dreams.

Does this mean we are all going to succeed? Of course not. Some newspapers and some news organizations will not adapt to the digital realities of our day – and they will fail.

We should not blame technology for these failures. The future of journalism belongs to the bold, and the companies that prosper will be those that find new and better ways to meet the needs of their viewers, listeners, and readers. And they should fail, just as a restaurant that offers meals no one wants to eat or a car-maker who makes cars no one wants to buy should fail.

There are some things that do need to happen for the news business to prosper in this digital age. Today I will outline three things that need to happen – at news organizations, among our customers, and within business – for good journalism to prosper in the 21st century.

- First, media companies must deliver the news media consumers want – and do it in the ways that best fit their lifestyles. That means we must innovate like never before.

- Second, we need to do a better job of persuading consumers that high-quality, reliable news and information does not come free. Good journalism is an expensive commodity.
- Finally, the government needs to clear the path for companies to invest and innovate – by reducing unnecessary regulation and eliminating obstacles to growth and investment.

Let me take these one by one.

First, media companies need to give people the news they want. I can't tell you how many papers I have visited where they have a wall of journalism prizes – and a rapidly declining circulation. This tells me the editors are producing news for themselves – instead of news that is relevant to their customers. A news organization's most important asset is the trust it has with its readers – a bond that reflects the readers' confidence that editors are looking out for their needs and interests.

At News Corporation, we provide news, sports, and entertainment to audiences across borders and continents, via newspapers, magazines and books, broadcast, satellite, cable and telco- provided television, mobile devices and the Internet. In the future, we will provide our content to devices that today are still just a glimmer in the eyes of their inventors. And we are always looking for ways – whether better content or delivery – to meet our customers’ needs and interests.

We have a good record here. In television, Fox succeeded in taking on the “Big Three” networks when everyone said it could not be done. We also compete with both news channel CNN and the sports channel ESPN. And we continue to produce groundbreaking programming, including the first all-digital broadcast of the Super Bowl.

More broadly, we have been working for two years on a project that would use a portion of our broadcast spectrum to bring our TV offerings – and maybe even our newspaper content – to mobile devices. For newspapers, the spectrum could well prove an economic vehicle.

For our customers, it would allow them to get national and local news, weather, sports – and even their favorite TV shows – whether on a train or bus, as a passenger in a car, during their lunch hour at work, or while watching their daughter’s soccer practice. Today’s news consumers do not want to be chained to a box in their homes or offices to get their favorite news and entertainment – and our plan is to meet the needs of the next wave of TV viewing by going mobile.

The same is true with newspapers. More and more, our readers are using different technologies to access our papers during different parts of the day. For example, they might read some of

their Wall Street Journal on their blackberries while commuting into the office ... read it on the computer when they arrive ... and read it on a larger and clearer e-reader wherever they may be.

Already we provide news to our readers through websites, email alerts, blogs, twitter, and podcasts. Now we are looking at e-readers. We have no intention of getting into the hardware business. But we have every intention of promoting more choice for our consumers and more competition among distributors by pursuing ways to help us deliver news and information as cheaply as possible and over as many platforms as we can.

Let me add one point here that I am especially proud of. At a difficult time in our economy, News Corporation is *increasing* its investment in journalism. We do this because we intend to be the news leader in each of our markets.

For example, over the years we have been continuously expanding the number of hours of local news on our Fox-owned television stations. This year alone, we've added more than 50 hours of news. Today we are airing more than 700 hours per week of local news. That's more than any other TV station group in the country. And it should tell us that even amid challenging economic times there are opportunities to improve and expand journalism.

We're doing similar things for our papers. The Wall Street Journal now offers more national and international news to complement its outstanding business journalism.

I have often made the point about newspapers this way: by reminding people that we are in the news business, not the dead tree business. In other words, what makes a newspaper is its content and brand – not necessarily the form in which it is delivered. Soon we will launch The Wall Street Journal

Professional Edition, which will bring together the Wall Street Journal Online and Dow Jones Factiva. By giving our readers instantaneous access to breaking news as well as to vast archives, the Journal intends to revolutionize the way business subscribers get valuable information about industries, companies, and people affecting their business.

In short, we believe fiercely that the key to competing during difficult times is to invest *more* in journalistic content, not less.

My second point follows from my first: Quality content is not free. In the future, good journalism will depend on the ability of a news organization to attract customers by providing news and information they are willing to pay for.

The old business model based on advertising-only is dead. Let's face it: a business model that relies primarily on online advertising cannot sustain newspapers over the long term. The

reason is simple arithmetic. Though online advertising is increasing, that increase is only a fraction of what is being lost with print advertising. That's not going to change, even in a boom. The reason is that the old model was founded on quasi-monopolies such as classified advertising – which has been decimated by new and cheaper competitors such as Craigslist, Monster.com, CareerBuilder.com, and so on. Even online display advertising is in such huge supply that its price is under constant pressure.

In the new business model, we will be charging consumers for the news we provide on our Internet sites. We are already charging – and successfully so – for the Wall Street Journal online. WSJ.com boasts more than one million subscribers. Barrons.com has another 150,000 subscribers. We intend to expand this pay model to all our newspapers in the News Corporation stable, such as the Times of London, The Australian, and the rest.

The critics say people won't pay. I believe they will – but only if we give them something of good and useful value. Our customers are smart enough to know that you don't get something for nothing.

That goes for some of our friends online too. And yet there are those who think they have a right to take our news content and use it for their own purposes without contributing a penny to its production.

Some rewrite – at times without attribution, the news stories of expensive and distinguished journalists who invested days, weeks, or even months in their stories – all under the tattered veil of “fair use.” These people are not investing in journalism. They are feeding off the hard-earned efforts and investments of others. And their almost wholesale misappropriation of our stories is not “fair use.” To be impolite, it's theft.

Right now there is a huge gap in costs. Technology makes it cheap and easy to distribute news for anyone with Internet access. But producing journalism is expensive.

Like all good news organizations, we invest tremendous resources in our products, from our newsrooms and studios and cameras and computers to the salaries for the reporters, editors, producers, directors, writers, on-air talent, and countless other employees who contribute to producing a newspaper or newscast.

When this work is misappropriated without regard to the investment made, it destroys the economics of producing high quality content. The truth is that the “aggregators” need news organizations. Without content to transmit, all our flat-screen TVs, computers, cell phones, i-Phones and blackberries, would be blank slates.

Right now we have a situation where content creators bear all the costs, while aggregators enjoy many of the benefits. In the long term, this is untenable.

We are open to different pay models. But the principle is clear: To paraphrase a famous economist – there's no such thing as a free news story, and we are going to ensure that we get a fair but modest price for the value we provide.

Finally, let me say a few words about government. In the last two or three decades, we have seen the emergence of new platforms and new opportunities that no one could have predicted – from social networking sites and iPhones and blackberries, to Internet sites for newspapers, radio and television. And we are only at the beginning. In a few years, we will look back at cutting edge technology today the same way we smile when we watch a

TV show from the 1980s or 90s featuring cordless phones the size of bricks.

Finally, the government has a role here. Unfortunately, too many of the mechanisms government uses to regulate the news and information business in this new century are based on 20th century assumptions and business models.

If we are really concerned about the survival of newspapers and other journalistic enterprises, the best thing government can do is to get rid of the arbitrary and contradictory regulations that actually prevent people from investing in these businesses.

One example of outdated thinking is the FCC's cross-ownership rule that prevents people from owning, say, a television station and a newspaper in the same market. Many of these rules were written at a time when competition was limited because of

the huge up-front costs. Unfortunately, in practice these restrictions stifled competitive newspaper markets.

If you are a newspaper today, your competition is not necessarily the TV station in the same city. It can be a website on the other side of the world, or even an icon on someone's cell phone.

These developments mean increased competition for people like me, and that is good for consumers. But just as businesses are adapting to new realities, the government needs to adapt too. In this new and more globally competitive news world, restricting cross ownership between television and newspapers makes as little sense as would banning newspapers from having web sites.

In my view, the growing drumbeat for government assistance for newspapers is as alarming as overregulation. One idea gaining in popularity is providing taxpayer funds for journalists. Or giving

newspapers “nonprofit” status – in exchange, of course, for papers giving up their right to endorse political candidates.

And the most damning problem with government “help” is what we saw with the bailout of the U.S. auto industry: help props up those who are producing things that customers do not want. In other words, it subsidizes the failures and penalizes the successes.

The prospect of the U.S. government becoming directly involved in commercial journalism ought to be chilling for anyone who cares about freedom of speech. The Founding Fathers put the First Amendment first for a reason: they knew that a free and independent press was vital to any self-governing people.

They also knew that the key to independence was to allow enterprises to prosper and serve as a counterweight to government power. It is precisely because newspapers make profits and do not

depend on the government for their livelihood that they have the resources and wherewithal to hold the government accountable. This is also what builds the readers' trust and confidence.

Over the long run, it's true, politicians, bureaucrats, and corporate executives can be sacked because of an angry electorate or board. But in the day to day of ordinary life, the press is perhaps the only institution that can truly hold them accountable – and they know it, and they fear it.

- Earlier this year, for example, the chairman of the NY Fed resigned after The Wall Street Journal revealed he had taken out new Goldman Sachs options after the Fed had bailed them out.
- This summer, the Journal also exposed the plan by members of Congress to buy themselves corporate jets with taxpayer money – reporting that helped lead to the cancellation of that order.
- In the same way, long before the housing bubble popped, Wall Street Journal editorials were taking on Republican

and Democratic politicians alike for the mischief they were creating with Fannie Mae and Freddie Mac. And The Wall Street Journal is the most trusted newspaper in America because people understand the Journal is willing and able to take on the rich and powerful and well connected.

Every good newspaper does the same. Whether it's forcing a mayor's resignation over some illegal activity ... exposing some harmful practice of a business ... or just sticking up for some ordinary citizen in a fight with a faceless bureaucracy, accountability in a free society depends on a free and robust press. The United States has the most robust press in the world because it is the most free of government intervention – and we ought to keep it that way.

I'm encouraged that some government officials have been taking the larger view when it comes to specific regulations. For example, House Speaker Nancy Pelosi has suggested that the

Department of Justice, when reviewing mergers involving newspapers, take into account the other sources for news and advertising in the market, including electronic sources, so that any conclusions reached reflect current market realities. This is exactly the kind of leadership we need on this issue. As we go forward, we need to remember that the business of good journalism cannot be separated from the ability of a news organization to prosper as a business.

The brave new digital world can be a complicated one for news organizations. But the principles for success are clear:

- Let news organizations innovate to give their customers the news they want, when they want it, and how they want it.
- Ask consumers to pay for the products they consume. Let aggregators desist – and start employing their own journalists.

- And ask the government to use its powers to ensure the most innovative companies are free to reach new customers instead of looking for ways to prop up failures or intervene in a constitutionally sensitive business sector.

Though our formal topic today is the future of newspapers, in many ways we do better to think in terms of the future of democracy.

When the representatives of 13 former British colonies established a new order for the ages, they built it on a sturdy foundation: a free and informed citizenry. They understood that an informed citizenry requires news that is independent from government. That is one reason they put the First Amendment first.

Our modern world is faster moving and far more complex than theirs. But the basic truth remains: to make informed decisions, free men and women require honest and reliable news

about events affecting their countries and their lives. Whether the newspaper of the future is delivered with electrons or dead trees is ultimately not that important. What is most important is that the news industry remains free, independent – and competitive.

Thank you for listening.