

Fairfax's objections to Rinehart are self-contradictory

Peter Costello



I would like to see Australia have more newspapers, not fewer. It would be a great pity if Sydney or Melbourne become a one-paper town like Brisbane, Adelaide or Perth. It is good to have diversity of opinion.

But I am not so dedicated to the idea of press diversity as to plough my life savings into media stocks. Anyone looking at media stocks will know by now that they have been in long term decline. When Rural Press merged into Fairfax in 2007, the price was over \$5. Yesterday the share price was about 60 cents. Think of that. You can nearly buy three shares for the price of one paper.

So in the current climate of retrenchments and plant closures, what does a newspaper company need more than ever? It needs owners

who have deep enough pockets to stick with an investment that is not necessarily going to give them a short-term return. If the loyal readership was prepared to buy up the stock to keep the papers unchanged then the problem would be solved. But they aren't. So when someone comes along who is prepared to put a bit of money on the line they deserve to be treated with respect.

The objection to Gina Rinehart is that she is the wrong type of person because she is, after all, a miner. Well, so was David Syme who came to Australia to dig for gold and made enough to buy into the insolvent Melbourne *Age* and run it for the next 50 years. Mining has been one of Australia's great internationally competitive industries and has funded a whole lot of other enterprises.

In any other company a shareholder who had near 20 per cent would be entitled to board representation – not control, but certainly substantial representation. I carefully read the board's statement of June 29, which explained its objections to Rinehart joining the board – there were two, but they were not consistent.

The first is that she is seeking control without paying a premium. The second is that she has not signed the Charter of Editorial Independence.

Let us suppose Rinehart makes a bid that contains a control premium. Will the directors recommend it? If it is high enough, of course they will. They are not going to die in a ditch for a charter of no legal effect. The board does not pretend that the only people who can buy Fairfax shares are those who have signed a charter. Hedge funds and speculators are trading these shares every day.

The board puts its charter argument another way. It says that if the charter goes, the readership will go. It is an interesting hypothesis. A prospective owner would do well to think about it. But if they do not sign the charter and the readership walks, who is going to suffer the loss? Why, the new owner will, of course. They might thank the board for drawing the risk to their attention and decide to take their chances.

Alongside owners with deep pockets, a newspaper needs readers. People will buy it if the quality of the product is good. This does not turn on

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charters but the quality of the writers. In my view the broader the stable of writers, the broader the audience. This is the strongest discipline on a new owner. If they narrow the readership they will kill off their own investment.

What the Fairfax board is really saying is it wants a better price. It would like the charter if that came along for no significant cost. But at a suitable price these directors will sell; charter or no charter.

Dear journalists and readers, do not get too misty-eyed about these directors. They were not appointed for their political views. They do not come from a long background in the newspaper industry. They do not represent a particular editorial line. They are

professional directors. They are appointed to maximise shareholder value. And their biggest risk, if current interest wanes, is that the share price could go lower.

I did not sign the recent letter of "eminent people" who wrote in support of the Fairfax Charter of Editorial Independence. I noticed that the owner of *The Monthly*, Morry Schwartz, did. He makes no effort to publish a diversity of views in publications that he owns. When his editor proposed to publish an article by me in response to one by Kevin Rudd, she was not allowed to do so. It is not my idea of editorial independence.

But *The Monthly* will never be a mass circulation paper. If its owner wants to fund a particular point of view he is free to do so. Fairfax's metropolitan dailies aspire to mass circulation. A wide diversity of views will bring a wide diversity of readers. That applies to any new owner as much as it applies to the current publication.

Peter Costello is the former federal Treasurer.