
McCarthy Won't Save Fairfax

David Kirk's acquisition spree over the past three years left Fairfax with an uncomfortable \$2.4bn of debt and got him sacked. He was dealt a horrible hand. If anything, the acquisitions have performed better than expected. New Zealand website Trade Me's \$70m contribution to the full year result – up 39% on the previous year – was the company's saving grace.

Kirk was handed a business in serious decline. The internet is destroying media businesses around the world and Fairfax's two main mastheads, The Sydney Morning Herald and The Age are fighting at the front line. Matching the decay of iconic media businesses such as The Tribune Company (which recently filed for bankruptcy) and The New York Times, profit from these two businesses fell 9% last year. The decline is accelerating.

New CEO Brian McCarthy is hardly the man to fix the problem. He had a wonderful record at Rural Press but that business's rural titles were largely protected from the internet. Their time might come, but readers of The Land have been slow to make the switch to the online world. McCarthy will find himself on a different playing field at Fairfax. This business needs to embrace the internet, not run from it. And if McCarthy tries to lead Fairfax away from its pursuer, he will only accelerate the decline. Even if he does everything right, it might not be enough.

There are profitable online media businesses and media in general will thrive in the new age. But they will never be as profitable as dominant newspapers used to be. The Huffington Post, a leading political commentary website in the US, recently sold equity at a price that valued the total business at US\$100m. That's not bad, it values each of its 5.4 million unique visitors per month at a touch less than \$20 each. Apply those metrics to smh.com.au's less than 2 million visitors, though, and you won't put a scratch in Fairfax's debt pile. Brian McCarthy has his work cut out.