

**PROTEUS AND PRINT:
WHY NEWSPAPERS WILL FLOURISH
IN THE YEARS AHEAD**

A Speech Presented by

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Thank you, Nalini, and let me say how much I appreciate my friends and business associates for coming out today.

In Homer's *Odyssey*, there is a figure, Proteus. He is a god, the son of a sea-god, and he can see into the future. But, more importantly, he has the ability to change shape to meet each new challenge.

Proteus appears to be an old man. But, when attacked, he can turn into a lion, or dragon, or other fierce animal.

Proteus, I'd like to think, is an apt metaphor for our major newspapers. Like Proteus, we look old, we have been around a long time. But, we still have the vitality to change in response to each new challenge.

And that brings me to my message. It's this: despite tough challenges, the newspaper industry will continue to flourish because of its natural strengths and its ability to adapt.

My confidence is based on the fact that we have faced challenges before and, by facing them, we have become a stronger, more dynamic industry.

Let me first tell you about the challenges we've faced. Then, I'll tell you about our future challenges and how we'll meet them.

THE TELEVISION CHALLENGE

First, TV. The newspaper industry has responded to the advent of TV by reinventing itself. If you had asked people in the 50's where they got their "breaking news", they would have said, "from their daily newspapers". Our parents relaxed after dinner with their evening newspaper and listened to the radio. TV changed all that. Today, television is on 24 hours a day and major news stories are initially reported by them -- CNN being an obvious case in point. Who can forget watching the Gulf War in 1992 with actual missile strikes? Or, who will forget watching O.J. Simpson in his White Bronco trying to decide whether to turn himself in? Competition from television is intensifying. We now have not one, but several, 24-hour-a-day news stations.

There is no denying television's impact on newspapers. The percentage of people who read newspapers every day has dropped dramatically from 80% thirty years ago to 62 percent today.

The result? Most urban centres now have only one daily newspaper. Toronto is the exception, with four thriving daily newspapers.

We are fortunate to get different points of view in Toronto. Last September there was an excellent case in point -- As one of our advertisements said, "It was the best of times" or "the worst of

times" depending upon your point of view and which paper you read. The Star's headline read, "Women win on pay equity" -- the Globe's headline read, "Ontario loses pay-equity fight", same day, same story two points of view. Which side were you on?

Coming back to the impact of television The point is while Toronto has been a wonderful newspaper market, newspapers, in general, have suffered a setback from TV. 15% of newspapers have shut their doors over the past 20 years. But, the newspapers that remain continue to do well.

WHY NEWSPAPERS ARE SO STRONG TODAY

In fact, they responded vigorously to the challenge posed by television. I'd like to share with you four ways newspapers have responded.

First, we switched our focus from the evening to the morning. Television pre-empted the evening time that once had been set aside for reading the paper. Those papers that fought this change, generally lost -- and have gone out of business. We knew our survival at The Star depended upon shifting to the morning.

That was a \$400 million decision for us at The Star. Let me explain why. We have to have a morning paper on your doorstep by 6:00 a.m. To be competitive with our friends at The Sun, we have to publish the results of the Blue Jay games played the night before in California. The game doesn't end until 1:30 a.m., our time. That means, we need a plant that can print 500,000 copies of the paper between 2:00 a.m. and 4:00 a.m. That way, it reaches you by 6:00. The reality is, we start printing at 1:00 a.m. and the first papers off the presses go to outlying areas. At 2:00 a.m., we stop the presses, re-plate for the sports up-date, and you get the paper when the ink is barely dry. My point is simple -- afternoon papers are dead -- we had to adapt and we did.

Our second response to the television challenge was to produce a paper with much more colour. You can't compete with colour television in black and white. It's that simple. Colour provides greater interest for readers and greater impact for advertisers. Even the venerable New York Times has recently made the move to colour. It did take them awhile to follow our lead. It took the Globe and Mail even longer.

The third way we responded to the challenge of TV was to become more interpretive -- more analytical. A paper at mid-century might have had 23 brief stories on its cover page. Today, a front page has 5 to 7 in-depth articles.

This development toward more in-depth coverage is one that we have welcomed. It builds upon The Star's tradition of fighting for social justice -- a tradition that John Honderich and his team are carrying on with distinction. And, we believe strongly that we've made a difference. Let me tell you about some of our recent successes.

- We published a ground-breaking series on spousal abuse and children at risk. This series sparked widespread public debate, prompted a formal government review, and won the prestigious Michener Award for meritorious public service in journalism.
- We were among the first to argue for a mega-city in Toronto. The GTA is now a reality. I'll bet your taxes went up.
- We have reported on the shocking differences in the quality of care provided by different hospitals and doctors. We have called for more public disclosure.
- We have highlighted youth unemployment in a series called, "Lives on Hold". This series, which stimulated the federal government's interest in youth employment programs, has been nominated for a Michener Award this year.
- We recently investigated the taxi industry in this city. The Star's analysis prompted a formal review of that business as well.

Newspapers can and do create social change.

The fourth and final way we responded to television was the simplest, but probably the most profound of all -- we remained faithful to our traditional strengths.

Each of the media that provide news has its own strengths. Radio can be listened to while driving to and from work. Television has motion and immediacy. Let's face it -- it is a pervasive and important medium -- even though most people in this room will claim they don't watch much television.

But newspapers have something no other medium has: they distill the news compress it and make it accessible.

The problem with TV news is -- you can't fast forward. If you are interested in the fourth story in tonight's "line-up", as they call it, you must watch the first three stories as well.

Now, let's look at our morning newspaper. There may be 7 headlines on the front page. Let's say you're somewhat interested in 4 of these. You read the first three paragraphs of these stories and, if the paper is well written you've got the gist. You have already received as much information as you would have in a 15 minute TV newscast. Let's suppose you decide to read two of the stories in greater depth. It takes about as long to do that as it has taken me to tell you what you already know -- that people read newspapers with a set of choices that they don't have in other media. We scan some stories and read others in-depth.

That's why, today, the newspaper industry is not simply alive and kicking -- it is flourishing. And seventeen years after Ted Turner's famous boast that "the newspaper, as we know it, will be dead in 10 years", 1997 was the most profitable year ever for North American newspapers.

How profitable has the industry been? Profitable enough that Conrad Black is willing to wager \$150 million that he can set up a new, successful newspaper in Toronto. We'll take that bet. We, at The Star, welcome Black's foray into Toronto.

But, my larger point is that this is a flourishing industry. Conrad Black knows it as we all do.

WHY NEWSPAPERS WILL CONTINUE TO FLOURISH

I know many of you out in the audience are going to say, "That's well and good, David, but you are looking back, not forward. Television may not have been the death of you, but the Internet will be."

In fact, a recent Financial Post article had the headline: "Newspapers losing ground as king of classified". And the sub-head read: "Internet could steal \$4.1 billion in advertising by 2001". A report from Forrester Research, in the U.S., concluded a year ago: "Newspapers are in big trouble and they're going to get hammered".

News, like that, we can do without. The Internet is a wonderful new medium. It will find an important place in consumers' lives, along with other media. Yet, we are confident that, while the Internet will change us dramatically over the next twenty years, we can live with it. In fact, newspapers and the Internet will complement each other.

Let me explain why. There are two issues we must consider with regard to the Internet as it grows in usage. What will happen to our readership and what will happen to our advertising? In both these areas, newspapers will benefit from being bedfellows with the Internet. Let's consider our readership first.

There are three reasons why our readers will not give up newspapers for the Internet.

First, research has shown that people getting information on-line are not using it as a substitute for reading the newspaper. In fact, the on-line capability expands our role.

Those using the Internet can be divided into three distinct groups:

- Some look for immediacy. They want to know at 10:45 p.m. who won the hockey game. We can provide that information on the Internet -- Guess what? We are back in the business of "breaking news". We can give you the score at 10:45 and a commentary on the game the next morning in the paper.

- Then, there are those who want to study a subject in-depth. They want access to our archives, and they can do so through the Internet. We can charge for that.
- And then, there are some people who get all their information on-line. Using services like Pointcast or Timecast, they are presented with their own customized newspaper each time they log-on. Fortunately, most of these people were not regular newspaper readers previously. They are new customers for us.

The second reason why the Internet will not draw away newspaper readers is that they perform different tasks. Derrick de Kerckhove, Director of the McLuhan Program in Technology at U of T, states the issue well, and I quote, "The job of the newspaper is to sort out items which are relevant to the public's interest, over and above those which address purely individual needs." What he is saying is -- Issues that you should know will fall through the cracks because you didn't request them -- the Quebec ice storm or the taxi industry in Toronto, for example. That's why customized on-line newspapers don't work.

The reverse, however, is true for business information. I am interested in specific subject areas the communication industry, for example, and customized reports can be waiting for me on-line when I arrive at work. That is of value and worth paying for.

The final reason our readers will stay with us is the "feel" of a newspaper compared to a screen. Would you look forward to Sunday morning in your favourite easy chair, a cup of coffee and your touchscreen? I don't think so. A newspaper in its present form works. It's already wonderfully interactive. You can pick it up and put it down whenever you want. We won't talk about where people read it. (I will say this, however. If you take your computer in there, you have a serious problem.)

The reality is people use the Internet during the day for business information and in the evening for personal interest -- That hour spent in the evening cuts into television not newspapers. Not too many people are on-line over breakfast.

Let me now turn to advertising -- the second area where the Internet provides potential competition. In fact, we believe again it allows us to expand our role. I say that particularly with respect to classified advertising. Why classified? Because it accounts for 25% of newspaper revenue and a higher proportion of their profits.

You have to ask yourself why readers in the future will trudge through pages of used car, real estate, help wanted advertisements when a search engine can explore dozens of computer databases for you? On-line, you can sort complex data quickly, such as make, price, year and model of car. You can find a consumer report rating. You can look at houses in your desired neighbourhood. You can even take a tour inside.

Electronic classifieds are a threat. We cannot pretend they are not. And, as Business Week said last month, "Buying a new car on the Internet is pretty spiffy too." You can go to the Internet site, Auto-by-Tel, which has enlisted 2,200 dealers across North America and get a quote from a dealer that participates in this buying service. This will surprise you! 4% of new cars were sold over the Net last year. What will this mean to dealerships in the long run? What will it mean to dealers' display ads? What will it mean to newspapers?

The key to our future will be whether we can continue to be in the business of bringing buyers and sellers together.

Newspapers have always been the gateway to classifieds. We can capitalize on that history. But, our customers do not want merely to read print classified on-line -- they want value-added service. We must take advantage of the interactive capability of the new delivery system and assist the buyer and seller in completing the transaction.

Partnerships will enable us to do that. Take, for example, Classified Ventures, a new on-line technology partnership of Times Mirror, the Tribune Company and the Washington Post Co. This group can direct traffic to their site through in-paper promotion. Yet, the scope of the consortium will attract national advertisers who will be interested in advertising on-line against millions of daily hits.

These developments and others have led Forrester Research to revisit their conclusions. They now believe that newspapers have an advantage. As they say, "It is our business to lose" -- and we don't intend to lose it.

The Star has also taken significant steps forward in the area of on-line advertising. You should visit The Star's Internet site, thestar.com. Many do. We get 150,000 page views a day. That's one of the busiest web sites in Canada.

You should visit Toronto Star's CitySearch site as well. It was just named one of the three best, all-round, on-line newspaper services outside the U.S. by Editor and Publisher magazine. You can find both of those properties at our new address, Toronto.com. You didn't think you would get through lunch without a commercial did you?

If the theatre interests you, you can check out what the critics have said and then order tickets. If you want to dine out after the performance we'll show you the possibilities within easy walking distance. If you want to read the reviews of a particular restaurant or look over the menu, just double click. You can use E-mail to book a table for Saturday night. -- You see, we are bringing buyers and sellers together -- and assisting them in completing the transaction.

And, all that valuable information is free. It's like having your own private concierge -- at home -- not bad for a newspaper.

In short, we see the Internet as a means of building our franchise. Newspapers and the Internet are complementing each other.

CONCLUSION

Edmund Burke once wrote: "You can rarely plan the future by the past." We may not know exactly what the future will bring. But, as I look ahead to the future of newspapers, I do see with clarity that the newspaper industry will survive. We survived television. We'll survive the Internet. You can count on us being around for a long time.

Why? Because, as I've shown, newspapers are necessary. Newspapers are full of news that's both accessible and analytical. And, newspapers are just plain neat to read.

So, the message I want to leave you with is this: newspapers do face tough challenges, but they will continue to prosper in the years ahead because of their natural strengths and their ability to adapt.

I'm certain that if we emulate the god, Proteus, and change our shape as the situation demands, we'll flourish in the 21st century and beyond.

Appendix

I know everyone would like me to comment on Black's new paper. -- It is difficult to comment on something you haven't seen.

I will say that I agree with Conrad's comment in the Globe and Mail this morning -- this is not a zero sum game. People do read more than one paper. 50% of Globe readers, for example, read The Star as well -- We are a little bigger -- so that only 18% of our readers read The Globe.

The key will be to find a niche. With the resources Black has at his disposal and the size of the paper he is contemplating, it will be difficult to provide:

- a better business section than the Globe or Financial Post;
- better local news and sports sections than The Star and the Sun.

But, is there room for a paper with good writing that stimulates debate? -- you bet -- My test is, "Will he be able to create a buzz around the water cooler? Will people say -- Did you read what Black's paper said today?". If he can do that, he will have a business.

I would never want to bet against Conrad Black and David Radler. These two are very good businessmen and good publishers.