

FINANCIAL REVIEW

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BY Anne Hyland
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Publishing He was the power behind Rupert Murdoch's throne in the halcyon days at News Corp. Now Ken Cowley, feeling the shadow of mortality, wants to put a few things on the record: Elisabeth, not Lachlan, is the smart Murdoch, The Australian newspaper is 'pathetic', and Qantas boss Alan Joyce is, well, a corporate misfit. Anne Hyland writes.

Ken Cowley, once one of the most powerful men in Australia, is reflecting on life, death and his career. Seated in his office in Milsons Point on Sydney's lower north shore, decked out in R.M. Williams attire down to its world famous boots, Cowley is a man content with his own achievements and aware increasingly of his own mortality. On at least half a dozen occasions, he reflects on when he will go to God.

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He has relinquished almost all of his work duties, except as chairman of the aforementioned bush outfitter, which has been a labour of love for the past two decades.

His wife of 55 years, Maureen, has urged him to sell the business, that he owns, and last year he offloaded a 50 per cent **stake** in R.M. Williams to the private **equity** arm of global luxury goods **group** LVMH.

"I'm very comfortable knowing there's a good safe home for it if I climb the stairway to heaven," Cowley says.

Soon he will relinquish the remainder and spend more time with his wife. "That's her up there," he says, pointing to a glamorous framed photo of Maureen. It sits prominently in his office, which looks out towards Sydney Harbour.

Cowley, who turns 80 in November, used to sit at the right hand of **billionaire** media baron Rupert Murdoch, and was one of his most trusted lieutenants. Indeed, Murdoch nearly made Cowley a mogul in his own right in 1995.

The two men had discussed a deal for Cowley to **buy** the Australian arm of News Corporation, of which he was chief executive, and also Murdoch's Seven Network **stake**. But the dream never became reality because Murdoch's broader scheme with Kerry Packer to carve up the media landscape together, including the then John Fairfax Holdings, was killed by the prime minister, Paul Keating.

So instead of owning News Corp in Australia, Cowley remained a faithful **company** man. He was a **board** director of News Corp for almost half his working life – 32 years – and ran the Australian arm of the **company** for 27 years.

He has been a director of Commonwealth Bank, News Corp Australia's banker, and was an executive chairman of the now defunct national airline Ansett. Unafraid to be blunt

Cowley, who's known to many as simply KC, has been reflecting on the industries in which he spent most of his working life: airlines and media. He's frustrated and critical of the management and strategies he sees there.

In his characteristic blunt style – a style that earned him Murdoch's respect, trust and friendship – Cowley delivers some stinging assessments. Even his old boss and friend Murdoch is not immune.

"The problem is now Rupert doesn't have many people around him that give him advice and tell him the things he doesn't want to hear. That was one of my strong relationships with him. From day one I was not frightened to tell him what he should do and shouldn't do."

Cowley says he had the backing of Murdoch's mother, the late Dame Elisabeth Murdoch, when it came to telling Rupert what he needed to hear.

"I used to get on fantastically with her," Cowley recalls. "She was a great supporter of mine with him. She used to help me argue with him. Once in Melbourne, she got Rupert and I to come to her in a **hotel** room and, to my pleasant surprise, she took Rupert on about giving me support in Australia, and was across all the details of the media companies, the Herald and Weekly Times ... and Rupert went along with it and changed lots of things and virtually handed over to me and said, 'You're the boss'. He said to me, you can make any changes you like. And I made lots of changes, people and all."

One of those changes was in the balance between management, the advertising department and the editorial section of News Corp's Australian newspapers. Cowley saw the editor as a person who could work with him to make a profit and involved them in briefing advertising agencies, customers and clients. He got editors involved in budgets and made it clear that any initiative they wanted to pursue had to be costed and demonstrated it would make money. It was a new frontier for editors, who previously worried only about the masthead's content. The wrong successor

Where Cowley is most critical of Murdoch now is his decision in March to name eldest son Lachlan as non-executive co-chairman of News Corp and 21st Century Fox. It's not the breathtaking nepotism of the appointment that has upset Cowley, as Murdoch has employed his major shareholding to propagate his dynasty. Rather it's that Cowley believes Murdoch has picked the wrong child – he has six children from three marriages – to succeed him.

"I like Lachlan," Cowley says. "He's a nice man but he's not a great businessman. He's not a big and good decision-maker in my opinion."

It is why he believes Lachlan shouldn't be the anointed one to **lead** News Corporation and 21st Century Fox. Instead, he says, it should be Murdoch's daughter, Elisabeth.

"She's the smartest of all them. I've tried to tell him," Cowley says. "He got angry with me. He said, 'Oh you're saying it just because she's a woman'."

"I said, 'I am not! It's her brain!' Anyway, it didn't do any good. He's got an old-fashioned view [of women]. And apart from that, he thinks he's going to live forever."

Murdoch is 83. Cowley says he once told him he was going to work until he was 100 and recalls laughing at this statement.

"He said, 'What are you laughing at?' I said, 'He decides'," says Cowley, with his finger pointing heavenward.

"He's still going," he marvels of Murdoch.

Cowley predicts upheaval in the running of News Corp and 21st Century Fox once Murdoch dies. News was split into two companies last June, with 21st Century Fox separated out.

"If Rupert goes to God, James and Elisabeth – they're going to have a big say in it [the business]. Not a little say in it," Cowley says. "I've always been very impressed with Elisabeth."

Lachlan was always number three, in Cowley's opinion, if you had to choose an executive from among Murdoch's three children from his second marriage to Anna Torv. "Both James and Elisabeth are much smarter than he is."

Lachlan trained under Cowley at News Corp in Australia, which was then known as News Limited. He succeeded Cowley in 1997, but even before that, Cowley had increasingly become uncomfortable in the role.

Murdoch would regularly phone to discuss News Ltd's business strategy with his son, effectively cutting out Cowley. The progression of Lachlan as heir had altered the power balance at the top. It was a courageous decision for Cowley to step back from power. It must have been difficult to give up being the head of Australia's most important and biggest media **company**. At the time Cowley said: "I handed over to Lachlan. So I've done all I can do without him actually picking up the total responsibility for the

company. This isn't a **company** of committees. It's appropriate that a single leadership emerges, for good management and after my own long time on the mountain top."Doubts shared

Cowley was given a lavish farewell on Hayman **Island** and almost 300 guests, including politicians and business luminaries, attended and paid homage, while pop singer John Farnham and jazz musician Don Burrows provided entertainment. Cowley was given a large early riverscape painted by Arthur Boyd as a parting gift.

For years it had hung in his office.

Cowley's views now on Lachlan would upset his old boss, but they are shared privately and widely among many of Murdoch's former top **company** men.

In March, Murdoch made clear his delight in elevating Lachlan to the top job and also at his return to the business, after a nine-year absence: "This appointment is a sign of confidence in the growth potential of News Corp and a recognition of Lachlan's entrepreneurial leadership and passion for news, digital media and sport," he said.

"In this elevated role, Lachlan will help us **lead** News Corp forward, as we expand our reach and invest in new technologies and markets around the world."

Lachlan had quit News in 2005 where he had been working as deputy chief operating officer. Reports were he had fallen out with two of Murdoch's senior executives, Peter Chernin and Roger Ailes.

Lachlan moved from New York to Sydney and pursued his own media interests in Australia, which have included success with DMG Radio Australia (now Nova Entertainment) and a disastrous investment in ailing television broadcaster Ten Network Holdings. Lachlan was chairman of Ten until March, when he stood down. Years ago, he also had success leading News' investment into REA **Group**.

Cowley is interested in television even though he spent most of his working life in newspapers. He believes the managers of Australia's newspapers today, at both News and Fairfax Media, publisher of AFR Weekend, should be exploring closer ties with television broadcasters, as the publishing industry struggles.

"There should be a very strong relationship between television broadcasting and the newspaper industry. There isn't. There are no big thinkers out there and there's nobody climbing the mountain in the media business."

The newspaper industry globally is going through structural upheaval as advertisers and audiences shift to the less lucrative digital formats. Both News Corp Australia and Fairfax Media have seen advertising revenues collapse in recent years.

Citigroup analyst Justin Diddams estimates, since financial year 2008, advertising revenues at News Corp Australia have fallen from \$1.9 **billion** to \$1.2 **billion** in financial year 2014. At Fairfax, in the same period, he reckons advertising revenues have dropped from about \$1.6 **billion** to \$1.04 **billion**. In contrast, Google earns more than \$1 **billion** a year in Australia from advertising.

Cowley believes the management bench strength at News Corp in Australia could be improved. "It's a worry. Rupert has not ... he hasn't been, I think, careful enough to have picked the right person to run Australia."

Julian Clarke, an industry veteran, was appointed chief executive of News Corp Australia in August 2013. Cowley was also critical of News's masthead, The Australian, which he helped establish with Murdoch.

"The Australian now is pathetic," says Cowley. "It should have been growing stronger. With each publication you've got to select the person who can give strong leadership and growth and business and look over the horizon all the time, and they're not doing that.

"If Fairfax was properly run and had great leadership and imagination, they could have News Ltd on their knees."An odd couple

Cowley has always had a keen interest in The Australian. He built the national newspaper with Murdoch.

Cowley met Murdoch for the first time in 1962. They were an odd couple. Murdoch was the young heir at his father's now defunct Adelaide afternoon paper, The News, and had been schooled at Geelong Grammar and Oxford University. Cowley was born in Bankstown, then one of Sydney's lower-income and rougher suburbs, and went to Bankstown High School.

Cowley, three years Murdoch's junior, had set up his own newspaper, the Canberra bi-weekly, The Territorial. He had previously worked as a printer at The Canberra Times, after his father advised him to get a trade.

The meeting of Cowley and Murdoch was well before Murdoch had built a media and entertainment empire that would span the globe and skies. The News would be the foundation of what would become News Ltd and then the international News Corp.

Cowley was printer, publisher and editor of The Territorial. The two men met as Cowley was taking a tour of Murdoch's now defunct Daily Mirror. When the tour finished, Cowley got a message that Murdoch wanted to meet him.

"He had a copy of my newspaper on his desk," Cowley said in an interview. "He asked, 'Who edits it and who writes all this anti-Menzies stuff?'"

Cowley replied he edited and wrote most of the political stories: they were aimed at the public servants in Canberra who loved him socking it to then conservative prime minister Robert Menzies.

Murdoch and Cowley stayed in touch and by 1964 would together launch Australia's first national newspaper, The Australian, based in Canberra and produced in the offices of The Territorial.

Murdoch offered Cowley a job in editorial. But Cowley told him he didn't know enough about that side of the business but had formal training in production, so he became Murdoch's production manager. He moved to Sydney as production manager of The Australian in 1967 and then became production chief of the Sydney operation, which included The Daily Mirror. In 1974, he was made deputy general manager and appointed to the **board** of Mirror Newspapers. The newspaper fixit man

By 1980, Cowley was the most powerful man at News Ltd, having been appointed chief executive. He later became chairman in 1992. Cowley had responsibility for an empire that published, at various times and in various incarnations, The Daily Mirror, The Sunday Mirror, The Daily Telegraph and The Sunday Telegraph in Sydney, The Herald-Sun and The Sunday Herald-Sun in Melbourne, The Advertiser in Adelaide, The Courier Mail in Brisbane, The Northern Territory News in Darwin, The Hobart Mercury and The Sunday Mail in Perth.

But it was almost always The Australian that had politicians beating a path to Cowley's door, which is another reason why he was a greater supporter of the newspaper, even at those times when Murdoch wasn't.

In the early 1980s, during a period of enormous instability in the editorial department at The Australian, Murdoch's patience with the newspaper wore thin. He phoned Cowley and ordered, "Fix it or shut it, and don't ring me back."

Cowley fixed it, starting with the sacking of 39 journalists. But he kept the paper going. Cowley oversaw the launch of The Weekend Australian and by 1984 was able to report to Murdoch that, after 20 years, The Australian had made a profit on a year's **operations**.

This is one of the reasons why Cowley, who also established Newspoll, wants to see The Australian performing more strongly than it is now.

Former News executives claim The Australian has lost as much as \$36 **million** a year. However, its editor-in-chief, Chris Mitchell, has put the figure closer to \$30 **million**, and has since made substantial cost reductions.

But Cowley's not socking it only to News. He's equally critical of Fairfax. "I'm worried about Fairfax," he says, accusing management of driving the **company** "downhill".

Fairfax management have been actively restructuring the **company** and slashing costs as the digital revolution continues to wreak havoc with the business models of publishers the world over. Its actions have won favour among analysts and institutional investors.

One who saw the structural upheaval in the media was James Packer, who is now a gaming **billionaire**. He dispassionately exited his family's long association with television and publishing. Cowley recalls Kerry Packer's frustration at his inability to get his son to share his passion for media.

"Kerry Packer once sent his helicopter down from his cattle station up north and rang me and said, 'there's a helicopter on its way to pick you and Maureen up. I want you to come up to my farm for the weekend.'

"I tried to resist. We did go. James was there. I certainly didn't miss the tension between them. It was because James was not interested in the media **company** and Kerry was angry with him. He was only interested in gambling. On Sunday morning, he had a real tense argument with him but James was not listening." Alan Joyce 'a misfit'

Over the years, Cowley expanded control of his fiefdom in Australia, beyond News. By 1992, he had taken over from Murdoch as joint chairman of Ansett, which was 50 per cent owned by News Ltd – but only after first securing Murdoch's agreement to force out the other joint chairman, Sir Peter Abeles, which he did within months.

Ansett was a challenge for Cowley, as it repeatedly lost money. News eventually **sold** out of the airline in 2000, offloading its **stake** to Air New Zealand for \$680 **million**. Singapore Airlines had been the underbidder. It was exquisite timing as Ansett went into administration a year later and eventually collapsed.

"Airline businesses are very difficult to run and very difficult to make a profit in," Cowley says. It's why you would think he wouldn't judge anyone managing an airline too harshly. But he does if that person is Alan Joyce, the chief executive of Qantas, who worked at Ansett for four years until 2000 as head of network planning.

Cowley says when running any business a chief executive should surround him – or herself – with good people and especially in airlines, when it's all about the people working in that business, and not just the service you sell.

"It's important that Qantas remains successful and properly funded and again that's people," Cowley says. "Alan Joyce is a strange man. I've had one of his top people come to see me. It was scary. He's worried where Qantas is going or not going.

"It'll be interesting to see where Alan Joyce finishes up. I think he's a misfit."

Under Joyce's five-and-a-half years of leadership, loss-making Qantas has seen multiple changes in strategy as he struggles to turn around the ailing national flag carrier. In February, the airline reported a first-half loss of \$252 **million** – its biggest half-year loss since 1995.

By contrast, Qantas reported a doubling in its first-half profit in February 2008. Joyce was made chief executive in November of that year.

The carrier's poor performance saw it stripped of its investment-grade credit rating last December and relegated to junk status. Cowley wonders about the muscle of the Qantas **board**.

"They probably just accept everything he [Joyce] tells them, rather than question everything he tells them."

Cowley says one of his strengths in his business career, and in his personal life, has been judging people. "I'm good at assessing people and looking at whether I can trust them and that's helped me all my life." On the farm, boots and all

After News, Cowley was chairman of printing and magazine **group** PMP. It had been spun out from News and was later bought by the Independent Print Media **Group** in 2001, for \$630 **million**.

The trust, closeness and business relationship between Murdoch and Cowley extended beyond media and airlines into other areas such as farming.

"He [Murdoch] knew I was very involved in farming," Cowley says. "I had my own farm in Bathurst. He told me he had a major problem with his farm, his cattle station and would I mind taking an interest in it to help him. So I did.

"It was a mess. Because I had been running FS Falkiner – a rural **company** – I'd picked out a very strong person out of there to come and run the cattle station, Cavan. It was on the river at Yass."

News owned the FS Falkiner properties from 1978 to 2000.

Cavan was Murdoch's farm. "Then Rupert convinced me, begged me, 'Please sell your farm and **buy** half of my farm so that you can run it for me, which you're doing now'. I said, 'I will sell my farm but I can't afford to **buy** half of your **property**'. He said, 'Oh don't worry about that'."

Cowley says he didn't want Cavan to be a gift or **sold** at some undervalued price.

"I said, 'I'm not going to take it at the wrong price. I'm not going to steal it off you. I can't afford it. What I can afford to do is I can go you 50-50 in the **operations** and we'll just pay you rent for the land.' I did it and I turned the **company** around and I got it making a lot of money. When I retired, I got out of that too."

Cowley has long had a connection with the land. He was involved in the establishment of the Australian Stockman's Hall of Fame, in Longreach, with Reginald Murray Williams, founder of R.**M.** Williams, which Cowley eventually bought.

The bush outfitter is now Cowley's only real **commercial** interest but soon even that will come to an end.

His parting gift to R.**M.** Williams will be that it will be taken to the world in a much bigger way than Cowley achieved. Now with LVMH's private **equity** arm, L Capital, which paid \$53 **million** for a half-interest in the bush clothing icon, it's looking at expanding through Europe and North America, where there is strong appetite for its apparel and famous boots. R.**M.** Williams's boots have adorned the feet of US presidents such as Bill Clinton, **Chinese** politicians and now the Australian Army.

All that Cowley insists is that R.**M.** Williams remains headquartered in Australia, keeps its Australian identity and the talented Australians who are working for it.

"It has to stay Australian, with Australian people and an Australian image. That's the thing I want to be assured of. More than the quality, image, it's the people in the **company** and that that doesn't change. It's the people." For Cowley, it's always been about the people.

CO nnewz : News Corp | qntas : Qantas Airways Ltd

IN i475 : Printing/Publishing | i4751 : Newspaper Publishing | i75 : Airlines | i7501 : Scheduled Passenger Airlines | iairtr : Air Transport | imed : Media/Entertainment | ipubl : Publishing | itsp : Transportation/Shipping

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