

The Registrar

My name is Casey Eden and I am one of the founders of Neighbourly.co.nz. I have also been lucky enough to be a key member of a number of other technology companies including GrabOne, Sella and Finda and have been involved in the technology industry for 10 years. I also want to declare that Fairfax Media Limited is the major shareholder in Neighbourly.

I am tabling a submission in response to the Commerce Commission's preliminary decision on the NZME/Fairfax merger because of the important precedent this may set for any business that competes in the global marketplace that the internet has helped create.

In reading through the preliminary decision the prime concerns of the Commerce Commission are that a combined entity would:

1. Increase prices and/or decreasing the quality in listed markets
2. Control too much of the circulation of daily newspapers in New Zealand
3. Reduction quality and plurality of views

I believe that in making this decision the Commerce Commission have failed to understand the global market that NZME and Fairfax are competing in, and the evolving nature of media. In particular I believe the preliminary decision focuses too much on local competition, quality, and plurality of views within New Zealand. There has not been enough consideration on how the product is funded.

Over the last 20 years, and increasingly moving into the future, NZME and Fairfax have been challenged with a disrupted business model, similar to how Uber has disrupted traditional taxi companies. This disruption has attacked both NZME and Fairfax's product/service (media content) as well as both companies method of funding (advertising). A joint entity would only control 11.7 percent of New Zealand's digital advertising market ... hardly a position of strength.

Both NZME and Fairfax must continue to evolve their business model so that it will be sustainable in New Zealand and defensible against global giants like Google and Facebook. NZME and Fairfax have made it clear that merging gives the combined entity time and influence to find a sustainable model. The repercussions of not merging leaves both companies with less time and influence, and with their continued reduction in funding, local competition, quality, and plurality of views within New Zealand will decrease. Something the Commerce Commission is clearly keen to protect against.

Please find below some key points that may help to further explain my position on the subject.

Advertising Competition

If an industry funds itself using advertising revenue, any other parties competing for the same advertising revenue are competitors even if their core product offering is not the same as your own. In the case of NZME and Fairfax;

- Advertising revenue creates the ability for NZME and Fairfax to be able to create news.
- NZME & Fairfax produces engaging news content to drive readership and traffic to justify the cost of advertising for it's clients.
- Digital Advertising Revenue is the most important FUTURE source of revenue for NZME and Fairfax
- Digital Advertising Revenue is not bound by international boundaries.
- Google and Facebook have devalued advertising in Print and actively targeted businesses to move their advertising to digital.

It would appear one of the core issues identified by the Commerce Commission is that, despite understanding the dominance of Facebook and Google in the digital advertising world, the commission does not accept that media quality will suffer if NZME and Fairfax are unable to be more competitive in this area.

Without a way to compete for digital advertising spend, NZME and Fairfax will have to continue to cut the quality of content while they find new ways to fund it.

Even if the Commerce Commission may argue that Facebook and Google do not operate in the traditional media world (something I strongly disagree with), it is impossible to argue that they are not competitors to NZME and Fairfax. As such, their increased dominance must be seen as a much bigger threat to journalism in NZ than two of our local competitors merging.

In the tech industry the ability to innovate fast is a massive advantage. As of the end of 2015 Facebook had over 12k employees worldwide and Google over 61k. The implications of the scale of these companies and their ability to innovate should not be ignored. As these companies require more innovation to deliver results to their shareholders, no market, no business model is safe from their advances.

In summary, asking NZME and Fairfax to compete not only with each other but also these organisations is, in my opinion, only accelerating the demise of local media which the Commission has set out to protect in their preliminary judgement.

Plurality of views

I believe the Commerce Commission has fundamentally underestimated the diverse range and influence of voices available as well as New Zealander's ability to receive news from multiple channels, not just print-media

50 years ago distributing a public notice in Auckland would have been a fairly easy thing to do. Throw an advert in the NZ Herald and the job would have been done. But the media world is more fractured than ever before. Not only within the potential options that exist for sharing a message (TV, Radio, Print, Direct Mail, Google Search, Facebook, Twitter, Blogs etc) but also the way different voices can be used to express a view.

No longer does an individual need to be a trained member of the media to have their views heard on a global scale. On this note, I am positive many younger members of

society would severely struggle to differentiate between an authoritative media source and someone sharing their own personal view on a platform such as Facebook.

In short, never have we had so many platforms for people wanting to seek a diverse range of opinion on a topic.

The other important point to consider is the powerful role Facebook and Google in particular play in driving society to various points of view on a topic. If the Commerce Commission is concerned with the ability of a combined NZME and Fairfax entity to drive conversation in NZ, they should be terrified about the ability of a Facebook or Google to control and alter the path of a discussion if indeed they choose to weigh into a topic by altering the paths users take to find out about a subject.

The Commerce Commission must accept that New Zealanders do not consume one print-media news source. Instead they consume media from more sources than ever, and that Facebook and Google also have a strong influence in the voices people hear within New Zealand about New Zealand.

Impact on other industries

This decision will set an important precedent regarding the role of Facebook and Google as competitors and influencers to almost any industry within New Zealand.

As of late 2015 Google had announced 184 company acquisitions in their history (many, many more happen behind the scenes). Facebook in 2014 acquired the world's largest mobile messaging app WhatsApp amongst dozens of other acquisitions.

On top of this if you complete, ironically, a Google Search you can see an ever growing list of businesses that these companies are exploring; Financial services, self driving cars, medical supplies...the list goes on. These companies know that building from within is simply not always the best option for staying at the forefront of innovation.

The Commerce Commission is chartered with protecting the interest of NZ consumers but what they need to also do is not limit the ability of NZ businesses to compete at the same time. In this new global media world: Speed is everything. Failure is fine. Not trying is a crime.

The Commerce Commission is not in a position to stop Facebook and WhatsApp being combined or any acquisition by Google. While these global giants that operate in and influence New Zealand, rapidly change to be competitive and to compete in more markets, in more ways, it is essential that the Commerce Commission not limit New Zealand businesses from remaining competitive.

Furthermore disruption is very fluid and fast-moving; even the slowing down of this merger process by the Commerce Commission potentially puts both businesses and the industry at large at threat.

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Thank you for the opportunity to create this submission. Whilst I appreciate my personal connections may be too close to home for the upcoming conference I would certainly be available to attend if required.

If not myself, I would love the Commission to invite along contributors from other leading tech companies in NZ to understand the true global market we are operating in and the implications of this.

Thank you
Casey