

24 June 2016
The Commerce Commission
P O Box 2351
Wellington 6140

Dear Sir/Madam

Submission to Commerce Commission re NZME/Fairfax merger

The Greymouth Evening Star Company Ltd as an independent newspaper takes the opportunity to provide this submission re the proposed merger of the two dominant newspaper companies. The Greymouth Evening Star Co Ltd publishes the Greymouth Star, Hokitika Guardian (daily paid newspapers) and the weekly West Coast Messenger.

Our view is that the oligopoly situation these two companies have occupied since the 1980s has been to the detriment of the industry as they have battled each other both in terms of advertising dollars and readership with a race to dominate the digital field. This has resulted in non economic (predator) pricing of advertising and readership moving on line at the expense of print but sacrificing the revenue stream that print provides to fund journalism. The foundations of the fourth estate have as such been severely eroded to the detriment of democracy. Overseas newspapers made the same mistake and generally have now introduced or are looking at paywalls. We believe both the major New Zealand organisations want paywalls but have been reluctant to be the first to move. This is necessary to ensure an economic business and hopefully will result from a merged entity. No business has found an economic model to fund on line journalism.

A merged entity, provided adequate controls are in place, could well operate better than the current oligopoly so long as the power is not used to limit news access to independent operators. About seven years ago Fairfax withdrew from a news sharing organisation (NPA) that existed between all newspapers. The independents made an arrangement with APN to get a supply of national news. To ensure news is provided full news sharing with appropriate safeguards for all needs to resume. That is independents feed news from their areas and can access the merged company's news. This will create a better National news service than is currently available. I note in our West Coast area we employ eight journalists and as many stringers. Fairfax through the Press competes in our market but employs just one journalist while NZME dominates the Coasts radio waves with multiple stations without any Coast journalists.

If the merged entity does not provide a news sharing service it is unlikely we would survive. This means the scrutiny on a Regional Council, three District Councils as well as a DHB, School Boards, Development West Coast and other public entities would no longer exist. This is not in the public interest. It is likely the merged entity will get cost savings via reducing journalists where duplication exists and no way would provide the coverage the West Coast currently enjoys. The West Coast is a large geographic area of NZ (equivalent distance of Wellington to Auckland - a 600km strip along the coast).

We do not believe Newspapers are dead and note despite the digital initiatives by the two majors only 10% of their revenue comes from this source, but they have sacrificed viable print businesses through massive revenue losses both in advertising and cover price by providing news free. The internet knows no geographic boundaries and this provision of national news free into our market affects our sales. Merging of the sites will provide a stronger on line presence and should they continue to provide a free service this will negatively impact on our and other independent newspapers' businesses.

Another area of concern is the merged entity's dominance of the National advertising market. Already there has been price cutting and pushing at no cost National adverts into our area via radio interests. The dominance of the merged company will make it impossible for us the share in lucrative National revenues unless they agree to put us on National Schedules.

In summary if Fairfax and NZME are to be merged we would ask that the commission ensures the following is provided by the merged company.

- A news sharing service.
- Independents be represented by a National Advertising Service and included on any schedule covering say 60% or more of the market.
- Websites to have a paywall – a better service of free news into our area will inevitably be to our detriment

Finally and probably not within the scope of this enquiry perhaps government should fund or assist in funding an independent investigative news service for all to share. Free journalism is not sustainable yet journalism is one of the pillars of the fourth estate.

I am happy to discuss or elaborate on any of these points with the commission should they wish.

Yours faithfully

John Goulding
General Manager
Greymouth Evening Star Co Ltd
Ph 03 769 7915
johng@greystar.co.nz