



COMMERCE COMMISSION

Please refer to:

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15 May 2006

«Title» «Name_1» «Name_»
«Position»
«Company»

Dear «Title» «Name_»

NZRU Application for Authorisation - Further Research into Television Audiences for NPC Rugby

Further to the Commerce Commission's Draft Determination of 9 March 2006, the Commission is now calling for submissions on its research into what the drivers of television demand are for viewership of NPC Rugby Matches.

Background

In November 2005, the NZRU applied to the Commerce Commission for authorisation of certain arrangements that may be prohibited under the Commerce Act 1986 (the Act). The authorisation procedures under s 61(1) of the Act require the Commission to identify any detriments likely to flow from a lessening of competition, and to balance those against any public benefits identified as likely to flow from the proposed arrangements.

A key claim made by the NZRU in support of its application is that the proposed arrangements would facilitate closer on-field contests between unions, and that fans of NPC rugby find uncertainty of outcome desirable. If this claim proves true, the bulk of public benefits would flow to television viewers as they represent the largest group of consumers of NPC matches. This note aims to investigate empirically whether uncertainty of outcome matters to television viewers of 1st Division NPC matches. Another important question is whether the quality of contest, which may also be affected by the proposed arrangements, influences audience demand?

The approach taken in this study is to estimate a demand equation for televised NPC matches, which is specified as a function of outcome uncertainty and contest quality, as well as a number of other control variables. The key findings are that none of the uncertainty of outcome measures used were statistically significant in explaining the variation in television demand for NPC matches, suggesting that the uncertainty of outcome hypothesis does not hold with respect to television viewers of 1st Division NPC matches. However, quality of play is apparently an important driver of audienceship. The results of this study imply that the benefits claimed to flow to television viewers from greater uncertainty of outcome, as a result of implementing the proposed arrangements, are unlikely to materialise. However, player redistribution policies that alter the quality of contests may be desirable from the perspective of viewer demand.

Questions:

1. *The Commission seeks comments or questions from interested parties on the methodology it has used in this study to evaluate which are the key drivers of television demand for NPC matches.*
2. *The Commission seeks comments or questions from interested parties on the key results of this study and, in particular, on its finding that the uncertainty of outcome is not a significant determinant of television demand for NPC matches.*
3. *The Commission seeks comments from interested parties on its finding that the quality of contest appears to be a significant driver of television demand for NPC matches. If it is a significant driver, how should this effect be quantified when assessing the public benefits likely to flow from implementing the proposed arrangements?*

The full research paper is available on the Commission's website: www.comcom.govt.nz
From the home page, please select Public Registers, then go to Anticompetitive Practices - Authorisations, and this will take you to the link for the New Zealand Rugby Football Union Incorporated's Application for Authorisation.

Submissions should be in writing and reach the Commission no later than **5pm on 22 May 2006**. Submissions can either be sent to: e-mail: registrar@comcom.govt.nz or to:

The Registrar
Commerce Commission
PO Box 2351
Wellington

If you wish to claim confidentiality for any information contained in any submission you make, such information should be included in a confidential appendix with reference to it in the main text. If you wish to request more time, please contact me – my contact details set out below.

Please note, the Commission intends to publish its Final Determination on **30 May 2006**.

If there are any matters you would like clarified, or if you require further information, please contact myself (Direct Dial: 04 924 3623) or David Chrystall (Direct Dial 04 924 3763) at the Commission.

Yours sincerely

Nicky Beechey
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Business Competition Branch