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## The Registrar

Commerce Commission New Zealand  
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I disagree with the Commerce Commission's preliminary decision on the merger of Fairfax and NZME. I will detail below how this decision is flawed. My issues with the commission's decisions are:

1. The plurality argument is too narrow, by focusing on print-media
2. The entire decision is based on an outdated view of the significance of print-media
3. The commission ignores how journalism is funded
4. The narrow definition of the market that these companies are competing in

I also take issue with the Commerce Commission's position as the defender of the fourth estate. It is something the government should defend, but whether the commission has the authority or expertise to base its decision on these grounds is questionable.

As part of my role, I work on Neighbourly.co.nz which is part owned by Fairfax Media. I also work across multiple technology companies, as well as mentor early-stage tech startups.

## 1. Plurality

From section 1.9 of the Commerce Commission's preliminary decision:

If the merger was to proceed, NZME and Fairfax would have direct control of nearly 90% of daily circulation of all daily newspapers in New Zealand – a recent study suggests that this would be second highest concentration of print media ownership in the world, behind only China.

I am astonished the Commerce Commission would make such an antagonistic straw man argument. However it does highlight my primary issue with the preliminary decision – the focus on print media.

To narrow down the plurality argument to purely print media assumes that consumers rely solely on print media for their news. This ignores common sense as well as a decades of research from NZ on Air, Ofcom, Nielsen, and others.

**The commission must accept that the plurality of media voices is greater than any time in history.** The digital revolution cannot be ignored. At a very local level the plurality of authoritative journalism is potentially decreasing, however community generated journalism on numerous platforms including Facebook, blogs, and Neighbourly.co.nz means at a local level there is also far greater plurality of voices.

This increase in voices online, decreases the importance for a plurality of voices purely in print. **The commission must not have such a narrow focus.**

## 2. Undue focus on print media

The entire global print media industry has been in decline for over 15 years. Alongside decreased circulation, the impact in America on ad revenue shows the reality in this industry. From 2004 – 2014 traditional print media managed to increase their online advertising revenue by \$2 billion. In the same period they lost \$30 billion in print ad revenue.<sup>1</sup>

Arguing that print media is an independent market from all other forms of media, and not acknowledging the decline in print is like arguing the Yellow Pages has a bright future as it does not compete against online equivalents.

I have worked with many journalists, researchers, and writers over the years. I truly believe in the importance of authoritative content. But let's separate the content from the channel in which it is delivered. **The commission must accept the demand for print media is declining,** and that the trend will continue.

It's also worth pointing out that TVNZ and Mediaworks submissions against the merger were predictable. These two multi-channel companies benefit the most from the decline in print media, and the decrease in value of NZME and Fairfax. If the merger is rejected, they will wait until they can acquire either company as cheaply as possible. What made these submissions ridiculous, was that both companies have been struggling to compete against the same globalisation impact on ad spend.

I highly recommend watching HBO's Last Week Tonight with John Oliver's story on Journalism in America ([https://www.youtube.com/watch?v=bq2\\_wSsDwkQ](https://www.youtube.com/watch?v=bq2_wSsDwkQ)) that lays out clearly the reality the media industry is dealing with.

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<sup>1</sup> Newspaper Association of America (2004) & Pew Research Center analysis of BIA/Kelsey data (2014)

### 3. Funding journalism

The preliminary decision's lack of focus on how journalism is funded highlights the complete lack of thought that has gone into the decision. **Creating quality authoritative editorial content is not free.**

Print media's business model has historically primarily relied on advertising. This business model is no longer sustainable. Much like the tech startups I work with, Fairfax and NZME are on the hunt for a new business model.

The original application and subsequent submissions have made the case that by merging they can have more time to find a new, sustainable, and defensible business model.

**The commission must accept that if these two companies continue to lose money, the plurality and quality of print-media and two of New Zealand's top websites will diminish – which it has decided is in its remit to protect.**

If the commission believes that an online advertising business model can sustain either company separately – it is mistaken. If any startup in New Zealand approached any investor, incubator, accelerator, or mentor like myself and they had based their business model on revenue from online advertising – they would go no further until they came back with a realistic business model.

If print advertising is declining and less money is made from online advertising it is clear these two businesses need new ways to fund journalism. But let us take a quick break to ask the important questions.... **is the following dress blue and black or white and gold?**



The increase of these ridiculous but popular stories, click-bait headlines, stories about the Kardashians, and paid advertorials are all attempts by these companies to source additional ad revenue or new forms of revenue. It's clear in their application that their attempts are not working.

The rise of Fake News has also been at the forefront of the media over the last few weeks: <https://www.theguardian.com/commentisfree/2016/nov/14/fake-news-donald-trump-election-alt-right-social-media-tech-companies>

<http://www.npr.org/sections/alltechconsidered/2016/11/23/503146770/npr-finds-the-head-of-a-covert-fake-news-operation-in-the-suburbs>

<https://techcrunch.com/2016/11/19/zuckerberg-reveals-plans-to-address-misinformation-on-facebook/>

[http://www.nytimes.com/2016/11/20/business/media/how-fake-news-spreads.html?\\_r=0](http://www.nytimes.com/2016/11/20/business/media/how-fake-news-spreads.html?_r=0)

What's cheaper than authoritative editorial content? Making everything up. With costs so low, they can create a successful business model based on online advertising. While this content is not generated by Facebook, they have created the mechanism for it to be found, go viral, and make money for both the fabricators and Google and Facebook.

NZME and Fairfax, as well as similar media companies around the world have never had to deal with having their funding/business model compromised like this. To tackle competition on this scale. They do not have the right people, culture, or skills to change overnight into a startup – on the hunt for a business model. **They need more time.**

## 4. Competitive landscape

**The commission must accept NZME and Fairfax's argument that they are competing with Google and Facebook in regards to their funding model.** The impact of globalisation is something the New Zealand Government is actively exploring with the paper on *Exploring Digital Convergence*. The point of this significant effort by the government is that policy needs to catch up with the present and prepare for the future:

Our regulatory system should reflect reality, 'treat likes alike' across the converged sector, and be flexible and durable enough to cope with future change. Policy needs to enable innovation and growth, while ensuring a fair and even playing field for competition. It should enable change in the market without steering it. Policy and legislation should, for the most part, be technology and business model neutral to allow innovation and change within the market.

**The Commerce Commission must follow the intent of this programme** and this statement by the Honorable Amy Adams, Minister for Communications, Minister of Broadcasting:

“We shouldn’t underestimate the scale of the impact convergence is having in New Zealand.”

The Commerce Commission met with the Ministry for Culture and Heritage to discuss the programme, so it must have taken some time to consider this. However I can find no mention of this in the draft determination.

While the Digital Convergence programme focuses on new businesses, the details of this merger are an example of the impact globalisation has on existing New Zealand businesses and the markets they operate in.

**Do not underestimate** the ability of the likes of Google and Facebook, as well as startups not based here, to send many more New Zealand companies to the commerce commission to merge as they try to compete.

## Summary

There is a generation coming through that will never eat their Weetbix while flipping through the Dominion Post laid across their table. And that same generation of business owners will not be paying to put ads in the Yellow Pages or in any local paper.

Journalists will not work for free.

The importance of authoritative editorial journalism is more important now more than ever. The demise of the business models supporting this industry has led to a distortion of truth and even the concept of living in a ‘post-truth’ era after Brexit and the Trumpocolypse.

Everyone involved on all sides agree it is essential that New Zealand retains its plurality and quality of media viewpoints. However forcing two companies that have already lost the war to continue to compete with each other will only speed up their demise.

The outdated and/or overly narrow views of some submitters and members of the commission must be disregarded. Any talk of competition between local papers in small town New Zealand ignores the massive global decline in print media and the media industry as a whole, as well as the reality of globalisation and digital convergence, and the cost of running such a business.

**The commerce commission must give NZME and Fairfax a fighting chance to survive.** Allow the merger.