My name is Jeremy Rees. I have worked in the New Zealand media for 30 years. I am currently the National Communities Editor for Fairfax NZ, managing the myriad of community newsrooms publishing community newspapers and local digital news. Previously, I was Associate Editor of the New Zealand Herald and have been editor of the Weekend Herald and editor, as well as Head of Digital Content, for nzherald.co.nz. I am a member of the industry's Media Freedom Committee and sit on other committees including those responsible for journalism training and media liaison with courts.

Thank you for the opportunity to comment on the NZ Commerce Commission's Draft Determination on the Proposal to Merge by NZME and Fairfax.

I believe that the Commerce Commission is wrong, misguided and misinformed in a number of key areas. This has led you to make, I believe, a wrong decision on the merger.

First, I want to emphasise that this submission is my own opinion and not necessarily that of my employer, Fairfax NZ. Within the NZ media, editors are given licence to have our own points of view. And like most journalists, members of a fractious tribe at the best of times, I relish that independence.

I believe that you are wrong in a number of areas but specifically I would like to address:

1. The market for news and the place of Facebook and Google
2. The community news landscape
3. Factors in supporting quality journalism
4. Can the status quo hold?

The economic background to the proposed merger is well known but worth repeating again.

Media companies are being hit by a triple whammy. First, newspaper advertising is leaking to digital platforms. This is leading to a decline in revenue and pressure to reduce costs by reducing journalists. Secondly, digital advertising is growing but not fast enough to replace lost print advertising. Thirdly, the digital advertising revenue landscape is not a level playing field; the social media behemoths like Facebook and Google are able to undercut the efforts of local players, thereby putting jobs in New Zealand further at risk.

This much is well-known. What needs to be understood is the extent to which this series of shocks has disrupted all media companies. Some will need to cut more jobs to handle the disruption to their revenue.

Thus, a merger was proposed to help buy some relief from the constant pressure on costs.

Critics say - and you agreed - that a merger would reduce the quality of journalism and put at risk the plurality of voices. Many of the critics of the merger are sensible, wise heads and their view is worth considering.

But I believe the greater issue is that of the collapse of journalist jobs if this merger does not proceed. I believe this is true whether the merging parties are Fairfax and NZME or any other media companies. The most important issue to be resolved is the provision of local news coverage at local, regional and national levels. For all their faults, Fairfax and NZME currently provide much of that coverage. Without a merger, I believe much of that coverage will begin to be eroded through the relentless downward pressure on revenue.

I believe that a merged company would be able to deal with the issues of plurality of voices and the quality of journalism.

But I believe that without a merger, many of our leading media companies will not be able to hold the pressures to reduce journalist numbers. And to me, this is the greater issue.

(1) The market for news and the place of Facebook and Google

This submission specifically refers to sections 443-448 of the Draft Submission.

The NZ Commerce Commission argues, in effect, that there are two markets - an upstream market for news, characterised by content creators like Fairfax, NZME, TVNZ or many other news organisations and a downstream market of news aggregators, like Facebook and Google, who stand as intermediaries between news companies and readers.

Having divided the market into two - producers and distributors of news - the Commission states that producers like Fairfax and NZME operate in a different market from the news aggregators.

It states:

> *"The Commission notes that Facebook (and other social media platforms) do not hire journalists nor do they produce New Zealand news content. For this reason, we consider that they are news aggregators rather than competitors in the production of New Zealand news content. For these reasons, we consider that the production and distribution of New Zealand news are separate markets. We do not specifically consider the market for distribution of news further as part of our analysis."*

Thereby, the Commission claims there is little reason for NZME and Fairfax to merge to take on these, no longer, direct competitors of Facebook and Google.

This is wrong. It is a pedantic way to reduce an industry into its parts. It is true that there is a news production component of the media and there is a news delivery component but the two usually operate together to form a whole product. It is also true that there are some digital plays where this is a feature; for example, in digital music where record companies and artists create songs but aggregators like Spotify or Apple Music sell and distribute them.

But the news model is more mixed.

News producers have found themselves better than record companies at attracting audiences to their own platforms - though not as good as Facebook or Google. In New Zealand:

- Stuff.co.nz is the fourth biggest digital player by audience
- Nzherald.co.nz is in the top ten.
- This is unusual compared to other jurisdictions

At the same time, news platforms have taken on some of the functions of social media; readers can comment, audiences can upload material to Stuff Nation, for example. Furthermore, Fairfax has its own rapidly growing social media platform for local news and events in Neighbourly.co.nz. A key feature of neighbourly is local news.

Thus, the clear divide between news production and news distribution is more complex when it comes to the relationship between the media and social media.

Even if separate, the markets are mutually dependent. Facebook and Google News depend on issues from the news media to generate debate. Media rely on traffic from Facebook and Google.

And, even if separate, the markets are still in direct competition for advertising revenue, a point accepted by the NZ Commerce Commission at Paragraph 200.

A key part of that competition is that media and social media are competing for the time and attention of the same people in a country.

More generally, digital news does not stand apart from other forms of online content. Digital news sits within an online environment, which is increasingly dominated by the unfettered and unregulated reach of Facebook and Google. Reducing online news into sliced and diced market segments ignores the much larger online environment. And, in that environment, Facebook and Google are the kings and queens of the jungle.

The social media giants are direct competitors in a number of ways in that environment:

1. They compete with media companies for advertising
2. They compete with media for the attention of readers
3. They compete with media in the use of a platform.
4. They compete over some functions - for example, uploading of citizen journalism or user generated content around news.

Social media and news media are directly intertwined in a number of ways:

1. The distribution of traffic, especially from social media to news platforms
2. The need to generate discussion and debate on social media, sparked by what is in the news.

Thus, the markets are not separate; there is no upstream and downstream. The picture looks more like an intersecting Venn diagram with the two areas overlapping in key areas and, at the very least, located uncomfortably close to each other.

Google and Facebook have been strikingly successful in many areas. Their reach is global. Their revenue breath-taking. Their investment in their platforms is extraordinary. And their overshadowing of the news media in audience is beyond doubt. But the fact remains that the two parts of the Venn diagram intersect and that requires the NZ Commerce Commission to treat them as part of a media market in your consideration.

Recently, media companies, academics, journalist unions and governments have begun to examine the effect of these two spheres on each other; especially to the detriment of the media.

In September, I sent Official Information Act requests to 372 government and local government agencies, including district health boards, to gauge the extent to which these multinational platforms had managed to attract local advertising from New Zealand agencies funded by local rates and taxes. The point is to examine the extent of advertising now unavailable to the media. The results will be released soon.

In the United Kingdom, the National Union of Journalists, backed by a number of academics, wrote an open letter in the Guardian calling on the Government to impose a one percent levy on Facebook and Google's revenues to help support local journalism. Admittedly, they too saw a distinction between news creators and digital intermediaries but, in their case, they saw the effects of Facebook and Google as impacting significantly on the media. They said: "Digital intermediaries such as Google and Facebook are not only amassing eye-watering profits and paying minimal tax in the UK, they are also bleeding the newspaper industry dry by sucking up advertising revenue." The call followed a report in May by a media academic into the possibility of a levy.

The UK's news industry body, the NMA (News Media Association), has also delivered a briefing to government about advertising revenue declines and social media giants in September. It said: "The online news environment is characterised by aggregation of news stories by third party players who repackage, serve, link to and monetise that content. "Google dominates these activities in search and Facebook dominates in social. There are potential benefits for news publishers in working with them, not least in terms of reaching new audiences." But publishers are worried that "the situation is far from win-win and significant value is being captured by companies who do not invest in original journalism at the expense of those who do." In other words, while they adopted similar thinking to the NZ Commerce Commission around aggregation they took the important step of reflecting how that aggregation affects others in the online environment.

Earlier this year, the European Commission acted as if news production and delivery were part of one interlinked environment in its draft policy on copyright. Its proposed new regulations strengthen copyright holders, like news publishers, to claim revenue from social media companies. This follows a substantial and prolonged battle by European publishers for recompense by aggregators like Google News and Facebook for publishing all or part of an article. The new rules will recognise what the Commission calls "the key role press publishers play in terms of investments in and overall contribution to the creation of quality journalistic content". In this case, the European Commission appears to have considered the way news and aggregation are intertwined through the issue of payment and copyright.

In May, the Tinius Trust launched a global media conversation on how media can deal with Facebook and Google as competitors for attention and revenue. The Trust is the largest shareholder in Norwegian media company, Schibsted. One of their key arguments in well argued essays on the future of news is that Facebook and Google treat people solely as individuals but news helps turn people into citizens. That process is being undercut by a competition for eyeballs, revenue and attention.

The phrase that "Facebook is eating the world" was coined earlier this year In a speech at Cambridge, by Emily Bell, a former Head of Digital Content at the Guardian and Director of the Tow Center for Digital Journalism at Columbia Journalism School. In her speech she pointed out the areas where a social media giant like Facebook has begun to affect other surrounding institutions; from hyperlocal advertising in its Facebook Marketplace to data capture to political influence. Facebook had at least become more reliant on news as people post fewer updates about themselves, she pointed out. But at the same time, she argued, the news media, have lost control over distribution of their stories to social media, placing enormous power in the hands of Facebook. Thus, to her, the relationship is symbiotic and linked, though dangerously lopsided; Facebook needs posts from news media to power its audience engagement, and news media need the traffic to their sites. But only one side is dominating the war over platforms.

And, in Canada, the federal government has requested an independent policy advisor, the Public Policy Forum, to draw up proposals how it can respond to help Canadian media survive to play "a central role in a healthy democracy." News coverage of the announcement notes that the government's move has been prompted by concern at the survival of local news outlets, due to falling newspaper advertising, lower digital returns and increased competition from American-based corporations, Facebook and Google who hire no Canadian journalists. Ministers in the federal Liberal government noted that there is a need to support the civic function of journalism in reporting on democracy.

On the other side of the coin, there is the growing question over whether Facebook is now a publisher, rather than simply a technology platform. There have been startling instances of Facebook acting as a publisher. The US election was marred by the issue of "fake news" created by fake reporters to spread misinformation about Hillary Clinton and promote Donald Trump. President Barack Obama criticised Facebook's slow response to the issue. Facebook's fake news competed directly with the media's news for eyeballs. Facebook has promised to deal with the issue, effectively setting it on a path from being a pure aggregator to being a publisher making decisions about news. The blurring continues.

In conclusion, there are no distinct markets as the NZ Commerce Commission claims when it comes to news and social media. Facebook and Google are competitors for time, eyeballs, revenue and the future of the media. Their interests overlap. And if that is so, then the Commission's decision to focus solely on Fairfax and NZME's news creation role is wrong-headed.

(2) Community publishing

The New Zealand Commerce Commission expends a lot of effort establishing the extent of the overlap between Fairfax and NZME in community newspapers - 10 areas (pages 55-77).

But remarkably little in establishing the broader context of modern local publishing.

I simply wanted to add a wider context to the Commission's report on the areas of community overlap. Viewed by themselves, the ten areas of overlap seem problematic. Seen in a wider New Zealand context, perhaps less so.

In New Zealand, there are more than 100 community newspapers. Fairfax owns 52; NZME 26. The Community Newspaper Association which represents independent community papers lists more than 70 publications on its website, which are published more than twice a month but fewer than four times weekly.

In addition, there are a number of highly local radio stations. For example, Access Radio is a family of 12 stations from Auckland to Invercargill, often focused on local communities, according to the NZ on Air website.

There are an unknown number of Facebook groups, started by local advocates to share news and snippets of the region. Some of these are highly professional, others determinedly amateur.

There are also passionate and committed local bloggers. BillBarcBlog.com for example is a Thames, Coromandel blog dedicated to the issues of the area and a member of the NZ Press Council, one of the first blogs in New Zealand to sign up for voluntary regulation.

Fairfax recently bought half shares in a new local social media platform, neighbourly.co.nz, with 360,000-plus members, sharing local news and events. In the US, the number of local digital news startups has mushroomed to fill the gaps left by retrenching regional papers, though a strong revenue stream is precarious for many.

Local advertising in print focuses mainly on the local community newspaper. Local digital advertising can vary from TradeMe to Neighbourly but also direct competition from overseas-based competitors, Facebook and Google Local. I surveyed every local body in New Zealand using the Local Government Official Information Act to discover the extent of any shift of advertising revenue from print to digital. The results will be collated soon.

This is the local news landscape which the NZ Commerce Commission doesn't seem to see. New Zealand is a patchwork of dedicated, committed local journalists, often working in small businesses and struggling with the same digital transformation of larger publications.

Each town has a different configuration of voices. In some towns, the local paper is an independent business and there is no competition from Fairfax and NZME. In others, a Fairfax paper competes with an independent. In still others, Fairfax and NZME have competing products. Some towns have one paper, others two and a few rare exceptions even have three.

I point this out because this messy jigsaw of local news is largely missing from the Commission's coldly, formal review of ten overlapping local markets, including Stratford. Missing from the Commission's analysis is what has actually happened in the towns around New Zealand where there is currently only one newspaper now. Faced with the steady growth of targeted local digital advertising on Facebook and Google, the sole community paper in small towns have not raised their advertising prices substantially as far as I can see. Rather they have worked harder to continue to be the voice of their town.

(3) Quality Journalism

I want to make a brief submission on quality journalism. The New Zealand Commerce Commission has spent much of its submission discussing quality journalism and the need for competition. It gives significant space to E tu journalism union as well as rivals Mediaworks, TVNZ and Radio NZ. One argument is that competition with other journalists improves the state of journalism. Journalists, says E tu, are competitive people and the competitive urge leads them to file faster with better stories. This is no doubt true, but only partly true.

The competitive instinct does partly drive journalists but it is also surrounded by a number of other features which would still be in place after a merger.

The first is the modern journalist's interest in reach. All journalists want to reach the largest number of people. Modern analytics mean journalists can see within minutes how many people have read, shared, linked or commented on a story. The competitive urge to beat other journalists has been supplemented by the urge to reach the widest audience. The latter is not necessarily driven by the desire to compete with other journalists in another company but a desire to compete with all journalists, internally and externally.

Most journalists don't define their job solely by competition. Ask a reporter about their job and they hardly every reply that it involves beating the opposition. They are more likely to discuss the need to reach readers, engage an audience and bring useful facts to light. Journalistic success is in uncovering facts and stories and reporters want to be seen as doing useful work. Only part of a reporter's psychological makeup is involved with competition; the other part is in feeling that the role is useful, important and, even, vital to people. Thus, the spur to quality journalism is only partly due to competition. The other part - and I would argue the larger part - is due to reporters wanting to reveal stories and reach people with important information. This part of a reporter’s psyche would still be in place after a merger.

Perhaps more importantly and certainly more tangibly, reporters exist within a framework of relationships in society. The most important is the relationship with readers. Readers through comments, social media and feedback forms are pretty quick at pointing out the faults in a story or perceived bias. The journalism industry has also developed industry bodies. Readers can complain about a journalist’s work to the New Zealand Press Council (covering newspapers, magazines and their websites) or the Broadcasting Standards Authority (TV and radio broadcasting). The industry’s Media Freedom Committee meets regularly to discuss problems of access to information facing journalists. The former Journalists Training Organisation, which became the Competenz Sector Advisory Group, and is now under review, monitors the state of journalism training in New Zealand. At the same time, there is a suite of laws which provide journalists with a privileged position in reporting in exchange for responsible behaviour. An example, is in reporting the criminal courts where journalists are allowed to attend closed hearings so long as they do not report the proceedings. The NZ Press Council and Broadcasting Standards Authority partly operate in the same way; media companies sign up to being regulated as ‘accredited media” in exchange for the privileges afforded media in many laws.

Lastly, editors in a commercial media have always had to balance the competing demands of the job; informing the public on vital matters while also selling a newspaper. Editors generally do this by focusing on the needs of readers and, again, balancing news of public interest with news that interests the public. It is also important to note that editors (and journalist, for that matter) sign up to the codes of ethics of their company covering the ethics of journalists.

All of these factors serve to balance the media; not always successfully or effectively but surprisingly frequently. Thus, your assertion that there will be a decline in quality journalism because of a lack of competition is only partly true. That assumes that the paramount driver of journalistic behaviour is competing with the competition. And that is a sad, reductive view of how journalism works.

In fact, it works in a far more subtle web of relations, including:

- Feedback from readers
- The psychological drivers of reporters’ urge to find good stories and do good
- Laws which govern media
- Codes of ethics and behaviour by media companies
- Industry bodies and regulations

Competition with the team down the road is only part of the equation.

(4) The Status Quo

The New Zealand Commerce Commission, rightly, discusses what might happen if a merger does not proceed.

At points 106 and 107 it accepts that the media industry has undergone significant change due to the shift to digital but says it is not clear when and to what extent media companies will shift to removing print from their portfolios.

> *"On the evidence we have, we cannot predict with any degree of precision what level of rationalisation would occur without the merger. We accept that the status quo will not necessarily prevail, but we cannot exclude the real chance that a scenario close to the status quo will prevail in the short term. Therefore, we have taken a pragmatic approach by conducting our competition analysis on the basis of the status quo scenario as we consider it to be the most conservative from a competition point of view."*

This may be pragmatic, but is wildly over-optimistic. In fact, I would say that much of the evidence points to a very different conclusion and a differing counterfactual.

The view of editors in this country is that despite the dangers of a merge, it offered the chance for another few years of local journalism. It would give time for digital revenues to grow and new business models to emerge. Our journalism is a commercial venture. When revenues for newspapers decline, there is less to pay for local journalism.

1. In February, the Independent became the first UK metro newspaper to drop its print edition and go digital only.
2. In May, the Fairfax CEO Greg Hywood discussed the end of weekday print publishing for the Sydney Morning Herald and The Age; instead th~~ey~~ would move to lucrative weekend only publishing.
3. Just six weeks ago, Fairfax launched a project to save the Marlborough Express. In the details we presented to staff, townspeople, readers and advertisers there was a slide; it showed that without any changes, the Express, a paper with 150 years of history, would be unprofitable by September 2018 on current projections.
4. The New York Times announced it was taking a "good hard look at costs" after ongoing print revenue declines were not offset by digital growth.
5. The Canadian Liberal Trudeau government has studied the possible media landscape if both the largest newspaper companies cease to publish papers.

Critics of newspapers will point out that there were many things we should have done in the past. News companies have had to walk the tightrope of being reassuring to shareholders, rather than open about their problems.But whatever the issues of the past, we are dealing with the present and trying to invent the future.

I believe that your Status Quo of November 8, 2016, when your draft determination was published, will not exist in six months time. New Zealand media companies will simply have to reduce the number of newspapers published in this country to match declining revenues. I believe that is the real Status Quo; an irresistible but accelerating decline in the number of newspapers throughout New Zealand in 2017. This will mean fewer journalists employed at Fairfax and NZME.

I think it is important to also distinguish several elements if a merger went ahead. I had hoped that the creation of one company would eventually return the ownership of our largest news company to New Zealanders. One of the characteristics of the last three decades has been the ongoing ownership of key media by Australian, Irish or Canadian companies or funds. This has had its advantages (scale, revenue, support) and its disadvantages (distance). But, personally, I was looking forward to the creation of an entity which I had hoped would be strongly focused on New Zealand only. I do not think a merged company is the answer to the media's revenue problems. They will continue as long as there is a redistribution of revenue and disruption of our industry. But a merger offered at least a temporary base from which to continue the digital transformation of our industry. It may have offered only temporary relief but at least it was some relief from the grind of downward pressure. It bought time for ongoing experimentation. Lastly, I do find it odd that, as a journalist and editor, I am writing to you to support the creation of such a large entity. The oddity hasn't escaped me; journalists are meant to be on the side of competition. But, I believe in the short term, there are few other options left for the media in New Zealand. Our government has shown no signs of becoming involved in discussions about the place of news in a democracy and how to support it. It has held funding for Radio New Zealand at the same level for some years. It has shown no inclination for a Trudeau government policy forum on the media, Australian ownership reforms or British initiatives to give regional news companies tax relief. Given this, it is important for media companies to do their best to shore up their own positions, especially in providing national news. I am always heartened by the growth of small companies to fill news areas. The arrival of The Spinoff, initiatives by Jennings Murphy in news or the growth of new local papers to fill the gaps are welcome developments. But much of the heavy lifting in national news coverage is still done by larger companies. And they need help.

Thank you for the chance to provide my own view of your work. I wish to be heard on these matters.

Jeremy Rees