

PUBLIC VERSION



Fairfax New Zealand Limited / Wilson & Horton Limited

**NOTICE SEEKING AUTHORISATION OR CLEARANCE OF A BUSINESS
ACQUISITION PURSUANT TO S 67(1) OF THE COMMERCE ACT 1986**

27 May 2016

The Registrar
Business Acquisitions and Authorisations
Commerce Commission
PO Box 2351
WELLINGTON

Pursuant to s 67(1) of the Commerce Act 1986 notice is hereby given seeking **clearance**, or in the alternative, **authorisation**, of a proposed business acquisition.

RUSSELL McVEAGH

EXECUTIVE SUMMARY

- 1.1 Wilson & Horton Limited (trading as "**NZME**") and Fairfax NZ Limited ("**Fairfax**") and their respective parent companies, APN News & Media Limited ("**APN**") and Fairfax Media Limited ("**Fairfax Media**"), are seeking Commerce Commission approval to merge the New Zealand operations of NZME and Fairfax (the "**Transaction**").
- 1.2 The decision by Fairfax and NZME (jointly, "**the Parties**") to merge is in response to the dramatically transforming media landscape. The media industry has been subject to exponential change over the last five years and this is set to continue, with print readership and revenue in decline and revenue from online news/information provision becoming highly competitive. The change has been particularly felt in New Zealand, where Internet penetration and smartphone ownership rates are among the highest in the world.
- 1.3 Over the past few years, NZME and Fairfax have both independently reshaped their businesses, and their traditional print publishing models, to respond to the modern media industry dynamics. These media dynamics started with the growth in popular use of the Internet, and the significant migration of classified advertising to websites such as Trade Me, but the pace of change has rapidly accelerated with the ubiquity of smartphones. New Zealand has seen the increased use of search engines and social media platforms for the distribution to New Zealanders of local and regional news, life and style, sport, and entertainment content ("**news/information**").
- 1.4 New Zealand is among the world leaders in Internet penetration (91% were active users in 2015) and smartphone ownership (from 48% in 2013 to 70% in 2015), with smartphones now being the key device for accessing digital news/information, and social media usage (2.5 million New Zealanders access Facebook each month, including 1.9 million every day, with each person checking Facebook on average 14 times per day). As a result, New Zealand media companies that are committed to bringing high quality local, regional and national news/information to New Zealanders must do so today in an entirely different media environment from that prevailing even five years ago.
- 1.5 Already almost 90% of New Zealanders with smartphones use those devices to read news/information. The mobile phone is a device platform that is more difficult for publishers to monetise as it drives content access through third party mobile phone and social media apps, and there is less physical space for advertising. The Parties estimate, like in Australia, at least 40% of people in New Zealand access news/information through a social media platform and nearly 50% through a search engine, in addition to other sources of news/information. Given the ubiquity and popularity of social media and search platforms, publishers need to make their content available via those platforms, in particular Facebook. Publishing news/information content on these platforms enables these platforms to attract and hold consumers within their ecosystems, and at the same time determine the rules under which publishers' content is accessed and how advertising revenue is earned. For a news/information content business this means that:
 - (a) news/information is simply one form of content vying for consumers' attention on social media platforms in competition with all other content forms (eg humour, gaming, social posts etc); and

- (b) consumers increasingly take their news/information in a far more piece-meal way, without accessing the news/information provider's website, and only providers of the best news/information content will succeed in the competition for New Zealand consumers' attention in amongst all other content sources vying for consumer attention.
- 1.6 As a result, in order to thrive in the modern digital environment, the Parties must first and foremost continue to invest to deliver on their commitment to quality journalism and other content that attracts consumers, regardless of the platform through which that news/information is brought to their attention. At the same time, they must continue to adapt their businesses, to deliver to advertising customers a more targeted, lower cost, data rich, higher return on investment ("**ROI**") advertising offering. The Parties must deliver content that attracts consumer attention in an increasingly competitive content/attention environment.
- 1.7 Other news/information competitors, seeing similar trends, have done the same. For example, Mediaworks (Holdings) Ltd ("**Mediaworks**") launched *Newshub* in January 2016; Television New Zealand Limited ("**TVNZ**") launched *One News Now* in July 2015; and Radio New Zealand's ("**RNZ**") legislation was amended in April 2016 to allow it greater multimedia flexibility. The government, attune to these trends, is currently consulting on digital convergence and its impact, in an effort to ensure consistency in approach across all platforms.
- 1.8 Advertisers, whether they are interested in commodity low-cost product or high-end bespoke campaigns, demand offerings that reach the largest number of potential purchasers, in the most targeted way possible. In that regard, advertisers are agnostic as to the platform and channel to market through which this is achieved - whether that be by television, radio, billboard, print, flyers, online or other advertising. Global search engines and social media platforms have high levels of data/information about New Zealand users, and so are able to provide in-depth data analytics and customer insights to support the advertisers' objectives. As a result, it is estimated that more than 50% of online advertising expenditure in New Zealand is now being placed with Google and Facebook alone (with that figure being 64% in the USA). NZME and Fairfax compete head-on with strong global and local media companies, search engines, and online auction and retail platforms for a share of advertisers' spend - without the benefit of the scale of the global businesses nor the low cost base of smaller digital-only competitors.
- 1.9 Quality journalistic content that consumers will choose to engage with is the only competitive edge available in a digital world, where anyone can create and upload content. In this digital world, the Parties compete against both global content giants with scale advantages, and small digital-only start-ups and blogs with low cost bases. The Parties need to evolve to develop a viable position in the middle of that spectrum. The Transaction will allow the merged business to deliver enhanced quality and diversity of editorial offering. Studies show improvement in quality and diversity from a merger of publishers. The reason for this is clear; the merged group's financial success depends on it being able to attract the widest range of audiences possible in competition against all other sources of content. The merged business will be incentivised to retain talented journalists across the spectrum of views to continue to expand that audience reach.
- 1.10 At the same time, the merged business will continue to develop and invest in new and innovative digital opportunities to maintain and grow its share of digital revenues. This is essential given in the future it is likely that some newspapers

will no longer be printed every day and digital revenue (in particular mobile revenue) will therefore be the primary source of revenue.

1.11 Even looking solely at the way the businesses were historically structured, before their respective reconfigurations as "digital-first" businesses, in the areas of newspapers, community publications and radio, the Transaction gives rise to no material overlap:

(a) In paid daily papers, in almost every New Zealand region there is only one "masthead", because consumers have already picked their winner. *The New Zealand Herald* is the paid daily for Auckland, *The Dominion Post* is the paid daily for Wellington, the *Otago Daily Times* is the paid daily for Otago, etc. In the Waikato, *The New Zealand Herald* does have some circulation in the same area as the *Waikato Times*, and in the Lower North Island *The Dominion Post* has some circulation in the same area as NZME's *Hawke's Bay Today*. However, there is no region in which there is head to head competition between two strong incumbent paid dailies focussed on the same region.

As a result, the constraint on the subscription/cover price of a daily paper is, and will remain, the fact that any price increase would necessarily reduce circulation. Reduced circulation will impact on print advertising revenue (which is currently the primary source of revenue for print publications).

(b) There is some overlap in distribution area between the Parties' Sunday papers in the North Island. *Herald on Sunday*, however, has its primary circulation volumes in Auckland, while the *Sunday Star Times* has its primary circulation volumes in the balance of the North Island (and the South Island). As a result, again, the material constraint on subscription/cover price increases is, and will continue to be, attracting advertisers to the publications (with the readership declines resulting in decreasing advertising prices).

(c) Both Parties have a number of free community publications. Those will remain constrained on the consumer side by over 80 independently owned community papers, and on the advertising side by online and other media alternatives, other community papers, advertising flyers, and the strong countervailing power of advertisers.

(d) There is no overlap in radio, as only NZME has radio assets, which compete vigorously with MediaWorks' radio assets and with RNZ, as well as with a range of independent radio stations and online radio streaming alternatives (for example Spotify and Pandora). There is also no substantive overlap in the subject matter magazines of the Parties, other than the overlap between *Cuisine* and *The New Zealand Herald* weekly insert magazine, *Bite*. Those magazines are in quite different formats and face vigorous competition from Bauer's market leading magazine *Taste*, the independent magazine *Dish*, and a number of other titles.

(e) In the digital advertising space the Parties compete against an almost limitless number of other websites/platforms for online advertising spend. Advertisers will purchase advertising on any website/platform that attracts consumers' attention (whether that be by showing news/information, providing search functionality, auction platforms,

social content (eg showing friends' posts/pictures), humour, gaming, hobbies, communications etc).

- (f) Finally, in the online provision of news/information, there is overlap between NZME's nzherald.co.nz and Fairfax's stuff.co.nz. However, as set out above, those sites compete for consumers with strong local and global content providers, including TVNZ's *One News Now* (www.tvnz.co.nz/one-news), MediaWorks' *Newshub* (newshub.co.nz), Radio New Zealand (rnz.co.nz), NBR online (nbr.co.nz), ODT online (odt.co.nz), the Spinoff (spinoff.co.nz), Googlenews, Yahoo, *The Daily Mail*, MSN, CNN, BBC, and *The New York Times*, and social media platforms such as Facebook, Twitter, Instagram, and Youtube, to name but a few. Additionally, the Parties must compete against all other types of websites/platforms for consumers' attention (as news/information is just one type of content that attracts consumer attention and drives advertising revenue).

1.12 In summary, from the Parties' perspective there are strong reasons why the Commission should choose to issue a clearance in respect of this Transaction:

- (a) The Parties compete in a crowded, converged print/digital advertising market, with a large number of other providers of advertising services. The merger will enable the merged business to deliver advertisers a better product at a competitive price point.
- (b) Looking only at print publications, there will be no material change to the constraints on subscription prices. There is limited "head-on" competition for subscription dailies today.
- (c) The quality of news/information content will be improved by the ability of the merged entity to invest in quality editorial content. The merged entity will be incentivised to invest because the creation of quality local news/information and the editing of quality international news/information will continue to be the way it differentiates its digital offering from other media and from the multitude of consumer and other third-party generated content available online.
- (d) The print channel will benefit from the creation of a strong, print-invested entity that will be motivated to continue to improve the print offering to differentiate print from digital, in order to continue to attract the maximum number of consumers who may prefer that format. It will also benefit more broadly from the merged entity's investment in quality journalism for digital audiences.

1.13 If the Commission wishes to look at markets more narrowly and at constraints less expansively, even then a strong basis remains to authorise this merger, for the reasons set out in this application and in the supporting report by NERA.

1.14 In conclusion, the Transaction provides NZME and Fairfax with the opportunity to deliver a market-leading offering, rich in both local New Zealand and internationally focussed content, to engage more consumers and advertisers in the New Zealand market.

PART 1: TRANSACTION DETAILS**PARTY DETAILS****2. THE APPLICANTS**

- 2.1 This notice is given jointly by Fairfax and NZME (also referred to as the "**Parties**"), together with their parent companies, Fairfax Media and APN (together, the "**Applicants**").

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- 2.2 All correspondence and notices in respect of the application should be directed in the first instance to:

Russell McVeagh
Barristers & Solicitors
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Attention: Sarah Keene, Partner / Troy Pilkington, Senior Associate
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Fairfax New Zealand Limited

- 2.3 Fairfax is the New Zealand subsidiary of Fairfax Media. Fairfax Media is a media company operating in Australia and New Zealand, which operates several services businesses spanning marketing, property, and entertainment. Its business divisions include Australian Publishing Media, Domain Group, Digital Ventures, Fairfax New Zealand, and Life Media & Events. Fairfax has a variety of print publications, websites, and tablet and smartphone apps.

- 2.4 In New Zealand, Fairfax's mastheads include *The Dominion Post*, *The Press*, *The Sunday Star-Times*, *TV Guide*, *NZ House and Garden*, *New Zealand Gardener* and *Cuisine*, as well as agricultural publications. Much of the content is also available digitally, on Fairfax's primary online offering, stuff.co.nz.
- 2.5 Fairfax also owns:
- (a) 50% of Times Newspapers Limited; the publisher of the *Howick and Pakuranga Times* and *Botany and Ormiston Times*;
 - (b) 44.99% of Neighbourly Limited (neighbourly.co.nz). Neighbourly is a New Zealand-owned company that was launched in June 2015. It is a private neighbourhood website that creates an easy way for neighbours to talk and share online. []. Neighbourly employs 5 staff and has more than 285,000 members across 1,400 suburbs. It is a free service with the ultimate goal of creating more real-world connection and growing stronger and safer communities. Neighbourly members interact on topics such as local events, after school activities, council issues and local services. Members can also buy and sell on the site. Neighbourly offers a crime prevention service for members within communities whereby they are kept informed of any suspicious activity and can instantly inform each other of urgent safety updates;¹
 - (c) []; and
 - (d) [].
- 2.6 A full list of Fairfax NZ's publications and brands is set out at **Appendix One**.

Wilson & Horton Limited

- 2.7 NZME is the brand representing the New Zealand business of APN. APN is a publicly traded group that is listed in Australia and New Zealand. The group owns a diverse suite of media assets, including radio stations, outdoor assets, newspapers, and online businesses.
- 2.8 In New Zealand, NZME is a multimedia business that offers radio broadcasting (such as Newstalk ZB, ZM, Radio Hauraki, Flava, etc), print publications (*The New Zealand Herald*, *Herald on Sunday*, *Weekend Herald*, etc), digital publications (such as www.nzherald.co.nz), and e-commerce services (such as www.grabone.co.nz).
- 2.9 In addition to its 100%-owned businesses, NZME also owns:
- (a) [];
 - (b) 21% of The Beacon Printing & Publishing Company Ltd; and
 - (c) 40.41% of The Wairoa Star Ltd.
- 2.10 APN has a 50% ownership share in Adshel Street Furniture Pty Ltd. Adshel is an outdoor and digital-out-of-home advertising services provider. The business has almost 20,000 out of home advertising panels across Australia and New Zealand, and is New Zealand's only national street furniture provider. Adshel's solutions include street furniture panel advertisements, digitised street

¹ Neighbourly homepage. Accessed here: www.neighbourly.co.nz.

furniture, and mobile e-offerings which allow access to bar codes, vouchers and coupons and deliver unique codes driving competition entries via a website. Adshel's current focus is digital roadside advertising. Adshel is not part of the NZME business, and will remain outside of the merged entity (refer to 4.8).

2.11 A full list of NZME's publications and brands is set out at **Appendix Two**.

3. THE OTHER MERGER PARTIES

3.1 There are no other relevant merger parties.

3.2 The corporate structure charts of Fairfax and APN are set out at **Appendices Three** and **Four** respectively.

4. INTERCONNECTED AND ASSOCIATED COMPANIES

KPEX Ltd

4.1 In November 2015 Fairfax, MediaWorks, TVNZ, and NZME launched a joint venture (with equal 25% shareholdings) called KPEX Ltd (short for Kiwi Premium Advertising Exchange) ("**KPEX**"). KPEX operates as an ad exchange to sell remnant digital advertising inventory across qualifying publishers' online and mobile websites. It was established by the joint venture partners to meet demand for a local, premium content, brand safe ad exchange with sufficient scale to compete more effectively with large international players operating programmatic ad exchanges, such as Google, Facebook, and Yahoo.

4.2 [].

Newspaper Publishers Association

4.3 The Parties are both members of the Newspaper Publishers' Association ("**NPA**"). The members of the NPA are Fairfax, NZME, Allied Press, and various independently owned newspapers: The Gisborne Herald, Ashburton Guardian (Ashburton), The Greymouth Star, Westport News (Westport), The Whakatane Beacon (tri-weekly, Whakatane), and Wairoa Star (bi-weekly, Wairoa).

New Zealand Press Association Limited

4.4 New Zealand Press Association Limited ("**NZPA**") is the commercial entity of the NPA, and trades as Newworks to advocate and promote the brands of the NPA members (amongst other functions). APN Holdings NZ Ltd owns 38.82% of NZPA. Fairfax owns 49.18%.

Details of the Parties' Stock Exchange listings

4.5 Fairfax Media is listed on the Australian Securities Exchange ("**ASX**"), with the ticker **FXJ**. It is not listed on the New Zealand Stock Exchange ("**NZX**").

4.6 APN is listed on the ASX, with the ticker **APN**. It is also listed on the NZX with the ticker **APN**.

4.7 On 11 May 2016, APN announced a proposal to demerge 100% of NZME to APN shareholders and list NZME on the NZX with a secondary listing on the

ASX. As a result of the demerger, eligible APN shareholders will receive one new share in NZME for each existing APN share they hold, while retaining their existing APN shareholding. APN will continue to be listed on the ASX and NZX.

- 4.8 If the demerger is approved by APN shareholders, NZME will be a separate listed entity on the NZX and ASX, with investors and shareholders able to freely buy-in to the listed entity. NZME will own the New Zealand assets and businesses of APN (including radio, publishing and online, but not APN's 50% indirect interest in Adshel New Zealand). [].
- 4.9 A post-listing simplified structure chart of NZME is set out at **Appendix Five**.
- 4.10 The demerger process would be expected to complete by late June / early July 2016, subject to timing of various regulatory approvals. A copy of the ASX announcement is attached at **Appendix Eleven**.

5. THE PROPOSED ACQUISITION

- 5.1 []. The final structure of the Transaction has not been concluded. It is currently proposed that NZME would acquire Fairfax assets or shares, for a mix of new shares in NZME and cash. Fairfax Media's shareholding in NZME after the acquisition of shares in NZME is expected to remain below 50%.
- 5.2 At this stage there has been no agreement on board representation, given that NZME will be a separately listed entity governed by the listing rules. However, immediately-post demerger of NZME from APN, the board will be comprised of three independent New Zealand-based non-executive directors: Sir John Anderson (Chair), Peter Cullinane and Carol Campbell. Additional non-executive directors will be appointed in due course. It is expected that the board of NZME post-merger will continue to comprise a majority of independent New Zealand-based directors.

6. COMMERCIAL RATIONALE FOR THE ACQUISITION

- 6.1 As set out in the Executive Summary, the commercial rationale for the Transaction is to support the investment required to maintain and continue to improve the quality of local and regional news, life and style, sport, and entertainment content produced by the Parties. The Parties must continue to adapt their businesses to deliver advertising customers more targeted, lower cost, higher ROI, more data rich and diversified offerings to compete with other digital media offerings. At the same time, they must manage the reduction in demand for traditional format newspapers, while continuing to deliver high quality news/information content to consumers across print and digital formats (and, in NZME's case, radio).

Impact of technological change

- 6.2 Publishers historically operated in a controlled content delivery system in which they provided advertisers with a channel to access consumers. That access was not readily replicable by others as it required infrastructure such as printing plants, large physical sales teams, specialised equipment, and the capability to create and distribute content and to generate revenue from advertisers.
- 6.3 Technology has completely changed the dynamic of content delivery, meaning publishers now face a complex and rapidly evolving competitive environment that is no longer limited to other traditional publishers. Common household

devices such as laptops and smartphones can be used to write articles and shoot video. Website development and hosting has become commoditised; content and advertising distribution has been revolutionised by social media and online trading platforms; and advertising can be sold without a single salesperson via ad networks such as programmatic exchanges.

6.4 Technological change has been the catalyst for rapid changes in behaviour of consumers and marketers and the associated “unbundling” of the traditional publisher delivery system. The Parties have both already substantially reconfigured their respective businesses to meet consumer demands in the new media environment.

6.5 The key initial disruption, starting more than a decade ago, was the significant decline in print classified revenue as jobs, vehicles, and real estate were increasingly listed through online trading platforms, such as Trade Me, Seek, RealEstate.co.nz, Ebay, Craigslist, etc. This eroded a significant pillar of print newspaper publishers' revenue:²

Talk about creative destruction. Newspaper classified revenues peaked above \$16 billion in 2005, only to plummet to an estimated \$5 billion or so in 2009. One reason that happened: Starting in 2003, Classified advertisers suddenly had a free alternative in Craigslist.

6.6 As one New Zealand media commentator has observed:³

Classified advertising in particular – by which I mean all those small-print ads for jobs, cars, real estate, second-hand goods and so forth – generated so much revenue that it gave birth to the phrase “rivers of gold”.

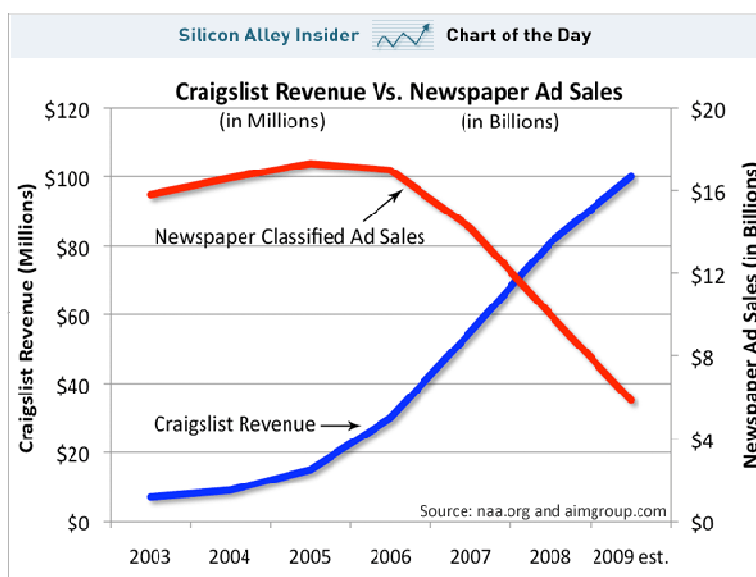
Alas, the rivers of gold began to dry up the moment the Internet made it possible for people to advertise more cheaply and efficiently online. Arguably the two most lethal words in the history of New Zealand newspapers were Trade Me.

6.7 This phenomenon is illustrated in Figure One below, which shows the sharp decline in classified revenue in the US as online trading forums grew in popularity:

² Nicholas Carlson, Kamelia Angelova "Chart of the Day: Newspaper Billions Become Craigslist Millions" (13 June 2009) Business Insider Australia. Accessed here: <http://www.businessinsider.com.au/chart-of-the-day-craigslist-vs-newspaper-2009-6?r=US&IR=T>.

³ Karl du Fresne "Are we really witnessing the last days of newspapers?" (4 March 2014) Breaking Views. Accessed here: <http://breakingviewsnz.blogspot.co.nz/2014/03/karl-du-fresne-are-we-really-witnessing.html>.

Figure One - US Craigslist revenue vs. newspaper classified advertising revenue



Source: Business Insider Australia.⁴

- 6.8 While this significant decline in classified revenue occurred comparatively early in the digital disruption of print media, it was a forerunner to the more significant disruption that has now spread to all aspects of print media revenue - both circulation/subscription revenue and display advertising revenue - and is increasing at an exponential rate. Ever-growing numbers of New Zealand consumers are electing to consume their news online, and, in particular, via social media platforms. This choice has been facilitated by increasing market penetration of Internet and mobile devices and the ever-increasing usage of social media platforms.
- 6.9 In 2015, 91% of New Zealanders were said to be active Internet users⁵ (with 90% of households in New Zealand having Internet connections in 2014).⁶ Perhaps more significantly, smartphone ownership has increased dramatically in recent years, from 48% in 2013 to 70% in 2015,⁷ with 3.9 million mobile phones connected to the Internet in New Zealand in 2015,⁸ and 74% of active Internet users in New Zealand connecting to the Internet via mobile phones (which now exceeds the number of users accessing the Internet via desktop PCs).⁹ []. Figure Two below shows the significant, and increasing growth, of mobile broadband connections in New Zealand.

⁴ Nicholas Carlson and Kamelia Angelova "Chart of the Day: Newspaper Billions Become Craigslist Millions" (13 June 2009) Business Insider Australia. Accessed here: <http://www.businessinsider.com.au/chart-of-the-day-craigslist-vs-newspaper-2009-6?r=US&IR=T>.

⁵ Crothers, C., Smith, P., Urale, P. W. B., & Bell, A. (2016). The Internet in New Zealand 2015. Auckland, New Zealand: Institute of Culture, Discourse & Communication, Auckland University of Technology.

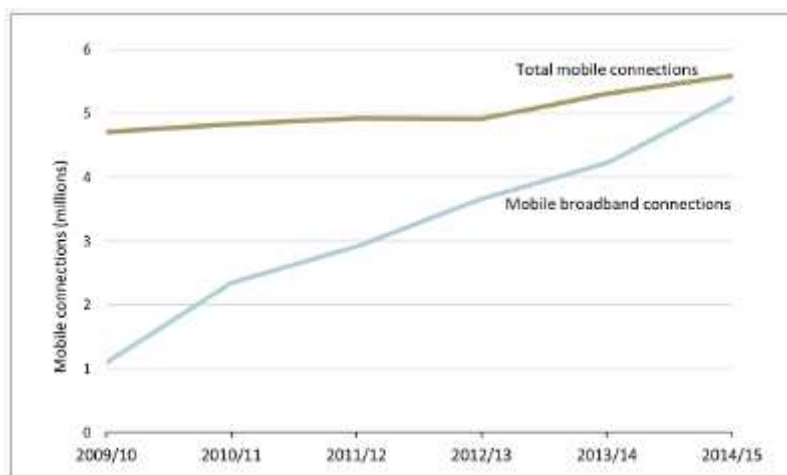
⁶ "Internet Service Provider Survey: 2014", Statistics New Zealand (14 October 2014). Accessed here: http://www.stats.govt.nz/browse_for_stats/industry_sectors/information_technology_and_communications/ISPSurvey_HOTP2014/Commentary.aspx.

⁷ Research New Zealand, "A Report on a Survey of New Zealanders' Use of Smartphones and other Mobile Communication Devices 2015" (2015). Accessed here: <http://www.researchnz.com/pdf/SpecialReports/ResearchNewZealandSpecialReport-UseofSmartphones.pdf>.

⁸ Statistics New Zealand "Internet Service Provider Survey: 2015" (14 October 2015). Accessed here: http://www.stats.govt.nz/browse_for_stats/industry_sectors/information_technology_and_communications/ISPSurvey_HOTP2015.aspx.

⁹ Crothers, C., Smith, P., Urale, P. W. B., & Bell, A. (2016). The Internet in New Zealand 2015. Auckland, New Zealand: Institute of Culture, Discourse & Communication, Auckland University of Technology.

Figure Two - Total mobile and mobile broadband connections in New Zealand



Source: Commerce Commission.¹⁰

- 6.10 In a 2015 study, Research New Zealand found that 79% of respondents use their smartphone or tablet to access apps for news and weather.¹¹ A 2014 Fairfax mobile survey found that [] of monthly smartphone users and [] of monthly tablet users read news on those devices. Indeed, a 2015 Reuters Institute for the Study of Journalism report (the "**Reuters report**"), which surveyed tens of thousands of consumers of news across 12 countries,¹² noted:¹³

We see the smartphone more clearly as *the* defining device for digital news with a disruptive impact on consumption, formats, and business models.

- 6.11 The ubiquity of Internet access and, in particular, smartphone use, is having a significant effect on the way consumers access news/information.¹⁴

Consider publishing... Facebook and other social media are now, essentially, the only places where news is delivered and found. The whole network of how media is distributed and delivered has changed—mostly in response to the smartphone.

- 6.12 With smartphones, consumers have instant access, wherever they are, to a huge range of media websites, such as *The New York Times*, *The Huffington Post*, *The Guardian*, *The Daily Mail*, the *BBC* online website, as well as local competitors like *ODT online* and *Newshub*. As will be set out in greater detail below, these international and local competitors exercise a strong constraint on New Zealand publishers. Equally, advertisers are now able to reach 'eyeballs' through a large number of different channels, including while consumers are travelling/commuting/out (due to smartphones). As set out at 1.8, advertisers are agnostic as to which channel to use to reach consumers' attention.

- 6.13 For a number of years, consumers have migrated to online consumption of news/information. [].

¹⁰ Commerce Commission. Annual Telecommunications Monitoring Report. (2015).

¹¹ At 14.

¹² The United States, the United Kingdom, Germany, Spain, Italy, France, Ireland, Denmark, Finland, Urban Brazil, Japan, and Australia.

¹³ Reuters Institute for the Study of Journalism, "Reuters Institute Digital News Report 2015" (2015) at 7.

¹⁴ Nanveet Alang "Why the iPad is Going Extinct" (30 January 2016) New Republic. Accessed here: <https://newrepublic.com/article/128577/ipad-going-extinct>.

- 6.14 This trend is reflected in Figure Two below, based on Newspaper Publishers Association data, which shows that [].

[]

- 6.15 The Parties understand that the Commission is already familiar with this trend, as evidenced by decisions such as *Bauer Media Group (NZ) LP / APN Specialist Publications NZ Limited ("Bauer/APN")*, where the Commission noted that:¹⁵

... [o]ver the last ten years, magazine and newspaper circulation numbers have declined. Advertisers' revenue has also declined during this time as has the proportion of budget advertisers spend on advertising.

- 6.16 This is in keeping with global trends, as observed by McKinsey & Company:¹⁶

Daily newspapers and consumer magazines have been hurt more than other segments by the transition to digital. Combined global spending on the print components of these markets (excluding digital advertising and digital paid circulation) fell a cumulative US\$22 billion between 2011 and 2014, a 3.6 percent compound annual decline. The content contained in newspapers and consumer magazines can often be obtained much faster and for free over the internet. Readership has been falling and advertisers have cut back on their print spending in response to the decline in print audiences.

- 6.17 This means that, while the timeframe is not yet certain, at some point in the future it is likely that some newspapers will no longer be printed every day and there may come a time where certain publications are only available online. As Fairfax Media Ltd CEO Greg Hywood said on 6 May 2016:¹⁷

It should surprise no one, and certainly not us, that the seven-day-a-week publishing model will eventually give way to weekend-only or more targeted printing for most publishers. We are already seeing this happening offshore.

Quite simply it is likely that one day, the viability for newspapers on current trends will run out. It isn't going to happen overnight – but eventually it will.

- 6.18 While moving to digital publications is inevitable, the reduction in print revenue is not being offset by a commensurate growth in digital revenue:¹⁸

Unfortunately, an online user just isn't as valuable as a print customer. Look at the Daily Mail, which has increased traffic to its website, purveyor of the world's finest click-bait, by 550% since 2009. It now has over 14 million daily users, but that only brought in £73m of revenue last year (up 18%), compared to £499m (down 7%) from its 1.7 million print customers.

- 6.19 In the US, newspaper print advertising revenue has decreased by 63% since 2003, and combined print and digital newspaper advertising has decreased by

¹⁵ New Zealand Commerce Commission *Bauer Media Group (NZ) LP / APN Specialist Publications NZ Limited* (2014 NZCC 1) 23 January 2014 at [27].

¹⁶ McKinsey & Company, "Global Media Report 2015" (2015) at 21. Accessed here: <http://www.mckinsey.com/industries/media-and-entertainment/our-insights/global-media-report-2015>

¹⁷ Fairfax Media "Macquarie Australia Conference Presentation & Commentary" (6 May 2016). Accessed here: http://www.fairfaxmedia.co.nz/ArticleDocuments/193/FAIRFAX_Macquarie_Australia_Conference_060516.pdf.aspx?Embed=Y

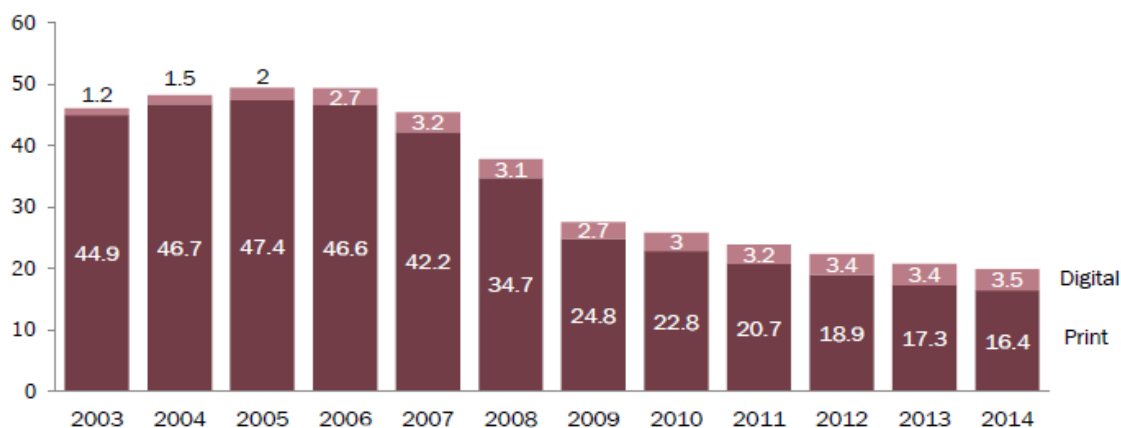
¹⁸ Adam Gale "The slow death of print" (24 March 2016) Management Today. Accessed here: <http://www.managementtoday.co.uk/news/1388956/the-slow-death-print/>.

57% in that time (ie increases in digital revenue are nowhere close to replacing the lost print revenue). See Figure Three below:

Figure Three - US Newspaper Ad Revenue from Digital and Print

Newspaper Ad Revenue from Digital and Print

Annual revenue in billions of U.S. dollars



Source: Newspaper Association of America (through 2013), BIA/Kelsey (2014)

PEW RESEARCH CENTER

Source: Pew Research Center *State of the News Media 2015*¹⁹

6.20 As summarised in 2015 by the Pew Research Center in the context of the United States:²⁰

For the past five years, newspaper ad revenue has maintained a consistent trajectory: Print ads have produced less revenue (down 5%), while digital ads have produced more revenue (up 3%) - but not enough to make up for the fall in print revenue. Overall ad revenue fell 4%, to just \$19.9 billion.

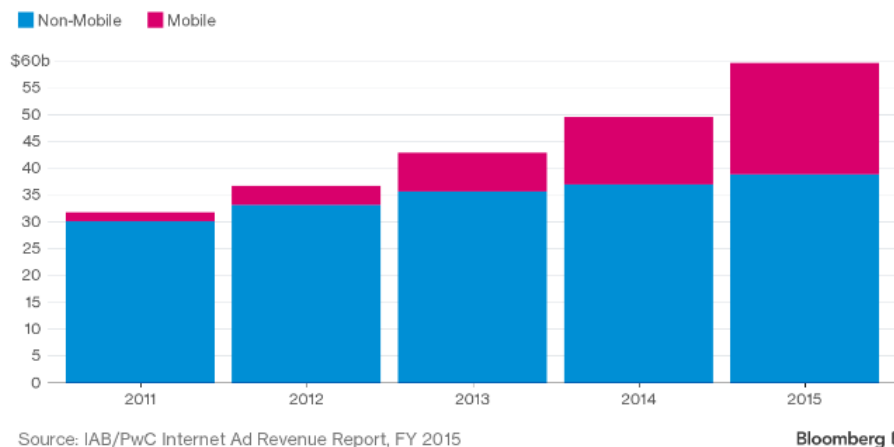
6.21 Further, while a share of advertising expenditure lost from print newspapers is being directed to 'interactive'/digital advertising expenditure, this switching is not resulting in anywhere near a direct one-to-one replacement of revenues for traditional news/information publishers. []

6.22 The switch to online sources of news/information is only part of the significant disruption that is occurring. More specifically, the prevalence of smartphones as "the defining device" means that mobile traffic is rapidly becoming the key source of consumer traffic for content providers. As a consequence of this, mobile advertising is rapidly becoming the key source of advertising revenue, as shown in Figure Four below.

¹⁹ Pew Research Centre *State of the News Media 2015* (April 2015). Accessed here: <http://www.journalism.org/files/2015/04/FINAL-STATE-OF-THE-NEWS-MEDIA1.pdf>

²⁰ Michael Barthel "Newspapers: Fact Sheet" (29 April 2015) Pew Research Center. Accessed here: <http://www.journalism.org/2015/04/29/newspapers-fact-sheet/>.

Figure Four - US online advertising revenue: Mobile vs. non-mobile



Source: Bloomberg.²¹

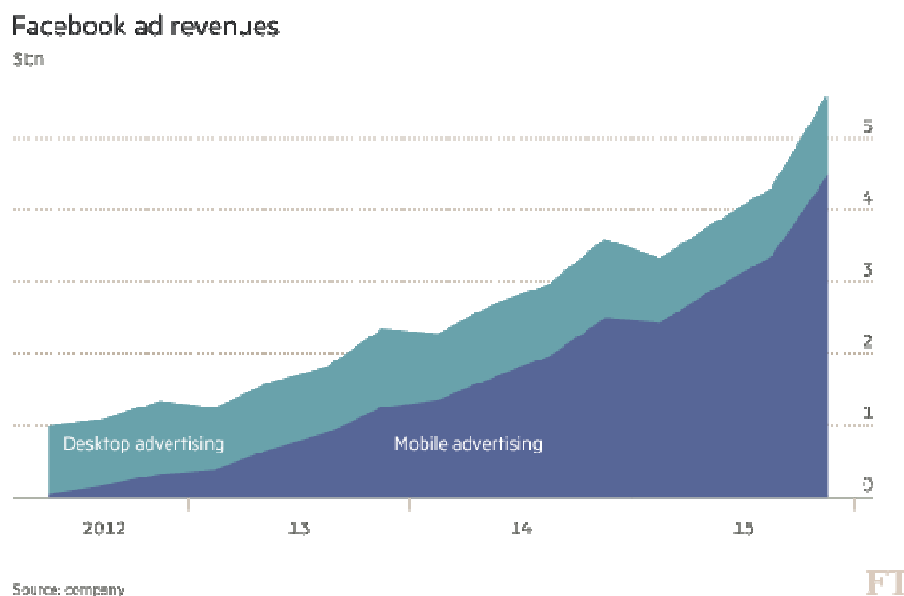
6.23 For example, []. This is significant for publishers' business models because:

- (a) mobile is a device platform that is more difficult for publishers to monetise as there is less space for advertising; and
- (b) mobiles drive app usage; for example Twitter, Facebook, Snapchat, and WhatsApp. These are closed ecosystems. While publishers' content may be accessed by consumers through those channels, the publishers' ability to access consumer data or to monetise that content is controlled by the app (see further at 6.30 to 6.37 below).

6.24 This growing digital/online advertising spend is fought over by the traditional publishers that create the content and by the platforms through which the content is accessed. This is illustrated by the rapid rise in, for example, Facebook's advertising revenue in recent years (in particular its mobile revenue), as shown in Figure Five below.

²¹ Aleksandra Gjorgievska "Google and Facebook Lead Digital Ad Industry to Revenue Record" (22 April 2016) Bloomberg Technology. Accessed here: <http://www.bloomberg.com/news/articles/2016-04-22/google-and-facebook-lead-digital-ad-industry-to-revenue-record>.

Figure Five - Facebook Advertising Revenues



Source: FT.com²²

- 6.25 These trends mean that Google and Facebook alone now account for 64% of online advertising expenditure in the US, with all other advertising providers competing for the remaining share of expenditure.²³

Google, the leading Internet search provider, and Facebook, the biggest social network operator, claimed 64 percent of that revenue, according to Pivotal Research analyst Brian Wieser. Google scooped up \$30 billion and Facebook gathered \$8 billion, while other smaller companies lost market share, the analyst noted.

"Smaller companies will continue to operate in the shadows of the industry's two dominant players," Wieser wrote in a note to investors.

- 6.26 For example, it is estimated that in the US, 85 cents of every incremental dollar spent in online advertising now goes to Google or Facebook.²⁴
- 6.27 Not surprisingly, these dynamics are placing significant pressure on Fairfax and NZME to continually restructure their businesses to adapt to changing market demands. Each has taken significant steps in that regard. The Transaction will provide them with the best opportunity to maintain that momentum and improve the efficiency of content creation to better enable them to compete in an increasingly converged marketplace with local participants supported by international capability and sophisticated digital platforms.

²² Richard Waters "Facebook cashes in on digital advertising" (28 January 2016) ft.com. Accessed here: <http://www.ft.com/intl/cms/s/0/22c59f1c-c564-11e5-b3b1-7b2481276e45.html#axzz47ubczPQ8>.

²³ Aleksandra Gjorgievska "Google and Facebook Lead Digital Ad Industry to Revenue Record" (22 April 2016) Bloomberg Technology. Accessed here: <http://www.bloomberg.com/news/articles/2016-04-22/google-and-facebook-lead-digital-ad-industry-to-revenue-record>.

²⁴ John Herrman "Media Websites Battle Faltering Ad Revenue and Traffic" (17 April 2016) The New York Times. Accessed here: http://www.nytimes.com/2016/04/18/business/media-websites-battle-faltering-ad-revenue-and-traffic.html?_r=0.

Consumers' relationship to news is changing

- 6.28 Not only has the shift to online content introduced a host of new competitors into New Zealand's media landscape; that shift, and in particular the rise of mobile traffic and social media usage, has also facilitated a fundamental change in the means by which consumers reach a piece of news. Rather than seeking out a predetermined news/information platform, consumers are increasingly being directed towards particular news/information content (eg an article or video) through social media, web-based searches, or apps.
- 6.29 In particular, social media platforms are increasingly becoming the predominant channel for consumers to access news/information online, which reflects not only the significant proportion of consumers that use social media, but also the significant usage by each of those consumers of social media as their main method of connecting with Internet content. In 2015, 2.5 million New Zealanders accessed Facebook every month, including 1.9 million accessing Facebook on a daily basis, with each person checking Facebook on average 14 times per day.²⁵
- 6.30 The ability to act as the gatekeeper for consumer access to content has seen several of the largest tech-based corporations in the world, in the last year alone, take significant steps towards obtaining greater control of the channels to consumers:
- (a) Facebook introduced "Instant Articles", a product allowing publishers to host articles and videos directly on the Facebook service, when viewed on Apple iOS products. Instead of simply adding a link on Facebook to their own news/information websites, news/information organisations can now choose to embed those articles to be read or watched within Facebook itself. This allows international publishers to reach consumers without physical infrastructure. Instant Articles are also available to organisations other than publishers who want to create and promote their own content. Recent estimates suggest that Instant Articles are clicked on 20% more than regular links, and on average are shared 30% more.²⁶
 - (b) Apple introduced "Apple News", an aggregator app that merges an RSS reader with article discovery capabilities, to create a product that collates articles from various participating publishers based on categories that the user has expressed interest in. Publishers can input their content via RSS feeds, or add further coding that allows content to be presented more appealingly within the app itself.²⁷ Apple News is not yet available in New Zealand, but is expected to be introduced in the near term.
 - (c) Google initiated its "Accelerated Mobile Pages" project, the goal of which was to speed up web browsing (particularly of news/information sites) on mobile devices by offering a bare-bones coding framework, to essentially create a similar experience to Facebook's Instant Articles within the open web.

²⁵ Rosanne Parker "World-first release of Facebook usage in New Zealand" (5 May 2015) Marketing Association. Accessed here: <http://blog.marketing.org.nz/2015/05/05/world-first-release-of-facebook-usage-in-new-zealand/>.

²⁶ Liam Corcoran "The Biggest Facebook Publishers of March 2016" (2016) NewsWhip. Accessed here: <https://www.newswhip.com/2016/04/the-biggest-facebook-publishers-of-march-2016/#ROLtaP4UtHhwjA0y.97>.

²⁷ Owen Williams "Apple News is seriously good and might become your only news app" (2015). Accessed here: <http://thenextweb.com/apple/2015/07/15/apple-news-is-seriously-good-and-might-become-your-only-news-app/#gref>.

- (d) Snapchat introduced “Discover”, a product allowing publishers to host rich media content including articles, graphics and videos directly on the Snapchat app. Snapchat users can now view content that is generated and curated by a broad range of local and international publishers without leaving Snapchat’s mobile app ecosystem.
- 6.31 While publishers are aware that integrating their content onto social media channels may have an adverse effect on their own brands/websites, given the ubiquity and popularity of the social media channels there is little choice but to increasingly use them for content distribution in order to access consumers, given social media channels' ubiquitous popularity and usage.
- 6.32 The advent of ad blocking has exacerbated this trend; publishers must use the social platforms and apps as they promise to ensure advertisements are served (eg Apple News, Facebook Instant Articles and Google Accelerated Mobile Pages).
- 6.33 []. Indeed, the senior editor of the digital content, advertising and marketing company Digiday has noted:²⁸

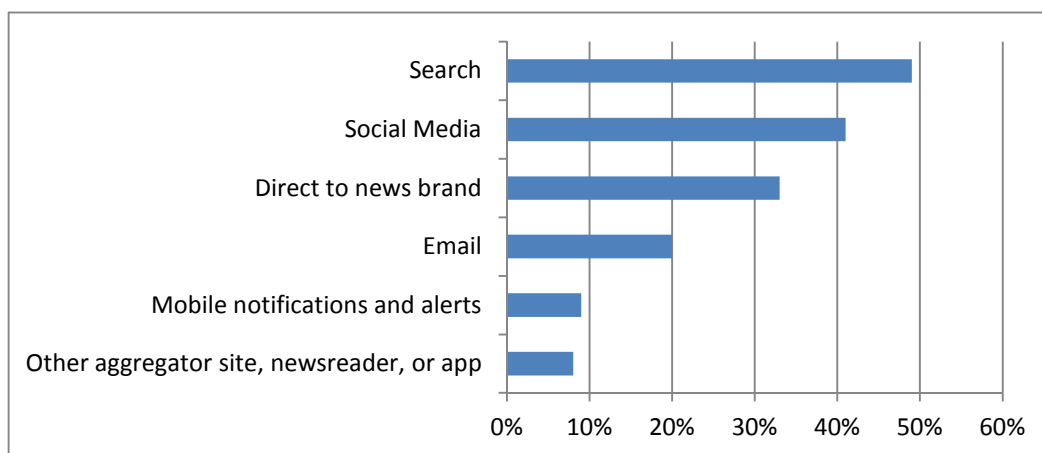
2015 felt like the year the platforms won. You saw it particularly in the **publishers' wholehearted embrace of Snapchat, Facebook Instant Articles and Apple News, giving up control over their distribution and presentation to publish articles and videos directly in those platforms' ecosystem. You increasingly saw the platforms dictate the form of publishers' content and how they allocated resource.** Case in point was the emphasis on publishing video to win favouritism with Facebook's algorithm, or hiring dedicated staff to feed their Snapchat Discover channels.

But the proliferation of platforms is straining publishers' limited resources, so they're going to be more choosy in the year ahead about where they place their bets. The platforms will still hold more power, but they have started to show signs of acquiescing to the publishers, whether its Facebook agreeing to look into helping publishers better monetise their instant articles or Snapchat giving publishers the ability to deep-link their Snapchat stories to make them easier to find outside the messaging app. These changes will only lift the biggest boats, though; small publishers that don't have the resources of the big guys are going to be at a big disadvantage when it comes to adapting their content to all the various platforms...
[Emphasis added]

- 6.34 Today, [] of Fairfax's content is accessed by consumers via Facebook, and [] of NZME's mobile content is accessed by consumers via social media. Similarly, in Australia, as well as a number of other countries, less than one third of online news/information is direct to a news publisher's own platform, as illustrated in Figure Six below:

²⁸ Liam Corcoran "Social Media Editors and Experts Give Their 2016 Predictions" NewsWhip, last accessed 10 May 2016. Accessed here: <http://www.newswhip.com/2015/12/social-media-editors-give-their-predictions-for-2016/#QeH3TAafIXHwz6ew.97>.

Figure Six - The Starting Point for News in Australia



Source: Reuters Institute Digital News Report 2015.

6.35 These developments in online and social media news consumption are eroding the degree of control that publishers have over their own distribution networks. News articles are disseminated through algorithms determined by social media platforms that are difficult to predict and anticipate.²⁹ The value chain is disrupted, and traditional publishers are reliant on third parties to reach their audience.³⁰

6.36 As reported by the UK News Media Association:³¹

Global platforms have come to dominate the internet, whether it is in retail (Amazon), search (Google), social media (Facebook, Twitter) or underlying device ecosystems (Apple, Google). Some of these players now have a significant influence on the UK news market, whether it is across search and social media shaping news interest and demand or iOS and Android mobile ecosystems taking a share of revenues around the demand for mobile news services via apps and mobile sites. With news increasingly discovered and building its audience via these platforms, the potential for these global platforms to distort news interests (favouring paid promotion and popularity rankings over a curated news agenda) and to limit the flow of funds back to news originators is growing.

6.37 Furthermore, social media facilitates a more piecemeal approach to news content. Consumers are presented with articles from various national and international news/information outlets on an article-by-article (content-by-content) basis, meaning not only that the position of any individual news/information website as a 'one-stop shop' for news/information becomes eroded, but also that consumers are being presented with a wider and more diverse range of news/information sources on a daily basis,³² and therefore web traffic to news/information will accordingly be affected. This is predicted to

²⁹ Columbia Journalism Review, "Facebook is Eating the World" (16 March 2016). Accessed here: http://www.cjr.org/analysis/facebook_and_media.php.

³⁰ Michael Wolff "Wolff: Print's dead - but so is digital" (15 February 2016) USA Today. Accessed here: <http://www.usatoday.com/story/money/columnist/wolff/2016/02/14/wolff-prints-dead-but-so-digital/80284046/>.

³¹ Oliver & Ohlbaum Associates Limited "UK news provision at the crossroads: The news market in the 21st Century and the likely implications for the BBC's role" (September 2015). Accessed here: http://www.newsmediauk.org/write/MediaUploads/PDF%20Docs/OandO_NMA_-_UK_news_provision_at_the_crossroads.pdf.

³² The Reuters report found that search and social gateways helped respondents to the survey to "find more diverse news and lead them to click on brands they do not normally use." See Reuters Institute for the Study of Journalism, "Reuters Institute Digital News Report 2015" (2015) at 7. Accessed here: <http://www.digitalnewsreport.org/>

lead to a situation where news/information providers' brands become of secondary importance to their ability produce quality content on an ongoing basis:³³

In July of this year Michael Wolff wrote an article for the MIT Technology Review in which he imagines a future where "There is no New York Times, there are just New York Times articles". In other words, social media's dominance in mobile leads to a scenario where the majority of the audience reading New York Times content never visit its website or buy a copy of the newspaper.

Publishers must attract consumers with content, not platforms or paywalls

- 6.38 Publishers now find themselves competing with global corporations such as Google and Facebook for advertising dollars. Those corporations, by having platforms that directly link to consumers, capture the economic value from the consumption of content without generating the content themselves.³⁴

Many commentators have identified that one of the key issues in the move to a more 'open' digital news value chain is that it is increasingly difficult for news originators to capture the full economic value of their output. In a world where news aggregators can repackage original news content and where prominence and discoverability is increasingly controlled by a few global platforms such as Google, Facebook and Twitter, the number of participants in the economic value of news content is growing with each aiming to benefit from a share of the overall value created.

For free-to-access commercially funded news service providers, audience traffic is key but often dependent on other sources of referral and linking to content services that are exploiting their own commercial models and where promotion is rarely free. The growth of news apps has exacerbated this, with mobile ad networks taking a significant share of the value generated by news content through in-app advertising and hence limiting the returns to news service providers. This complex economic network around the provision of 'free' news content is one of the key challenges that news originators face as they attempt to capture sufficient value from online markets to remain sustainable in the long-term.

- 6.39 Indeed, as noted at paragraphs 6.25 and 6.26 above, in the first quarter of 2016, 85 cents of every incremental dollar spent in online advertising in the United States went to Google or Facebook,³⁵ and it is estimated that 64% of online/digital advertising revenue is spent with Google or Facebook.³⁶
- 6.40 This new world, where third party platforms are used to access individual items of content, means that because of the two-sided nature of the market, it is

³³ Nick Baughan "Do Facebook, Twitter and Google offer news publishers salvation?" (15 September 2015) The Guardian. Accessed here: <http://www.theguardian.com/media-network/2015/sep/15/facebook-twitter-google-apple-news-publishers-instant-articles>.

³⁴ Oliver & Ohlbaum Associates Limited "UK news provision at the crossroads: The news market in the 21st Century and the likely implications for the BBC's role" (September 2015). Accessed here: http://www.newsmediauk.org/write/MediaUploads/PDF%20Docs/OandO_NMA_-_UK_news_provision_at_the_crossroads.pdf.

³⁵ John Herrman "Media Websites Battle Faltering Ad Revenue and Traffic" (17 April 2016) The New York Times. Accessed here: http://www.nytimes.com/2016/04/18/business/media-websites-battle-faltering-ad-revenue-and-traffic.html?_r=0.

³⁶ Aleksandra Gjorgievska "Google and Facebook Lead Digital Ad Industry to Revenue Record" (22 April 2016) Bloomberg Technology. Accessed here: <http://www.bloomberg.com/news/articles/2016-04-22/google-and-facebook-lead-digital-ad-industry-to-revenue-record>.

increasingly difficult for online news/information providers to implement paywalls.³⁷

When the paywalls went up for mass market news brands it was hard to foresee the extent of the migration from owned sites to social distribution platforms. The frustration engendered by encountering links to content on Facebook and Twitter that turn out to be behind a wall is real and the model is anachronistic. In a scenario where revenue share deals through the likes of Instant Articles become a major source of revenue, those brands whose content lie behind walls will fall behind.

- 6.41 In addition, ad blocking software³⁸ affects the ability of publishers to collect the advertising revenue necessary to support their investment in content. Between 2014 and 2015 the number of people using ad blocking software globally grew by 41%.³⁹ In 2015, the estimated loss in global advertising revenues for content publishers due to blocked advertising was US\$21.8 billion (14% of the global online advertising spend).⁴⁰ In 2016, this number is expected to rise to US\$41.4 billion.⁴¹ Late last year Apple announced that its new operating system for iPhones and tablets, iOS9, would allow iPhone and iPad users install ad blocking tools.⁴²
- 6.42 In summary, the challenges posed by the novel, fragmented, and highly globally competitive online publishing/advertising environment mean that traditional publishers must make up those lost print advertising dollars with new, innovative ways of earning digital advertising revenue.

Consolidation is necessary and desirable

- 6.43 Globally, the above trends are leading to a wave of consolidation and rationalisation of publishing businesses (to the extent that a website, www.newspaperdeathwatch.com, chronicles the decline of print newspapers). In the United States in the second quarter of 2015 alone, the news publishing, social media and technology sectors saw seven 'megadeals'.⁴³
- 6.44 The future rationalisation of publishing is inevitable, but the nature and extent of it can be better managed with the Transaction, as the combined business would have an incentive to maximise the lifespan of print for consumers whose preference is to consume news/information in this way. The Parties are of the view that at some point in the near to medium term, it will be necessary to fund their ongoing journalism predominantly from online advertising revenues (see paragraph 6.17 above).
- 6.45 Already, as described in greater detail below at 9.3 and 9.21, over the past few years Fairfax and NZME have both substantially reconfigured their respective

³⁷ Nick Baughan "Do Facebook, Twitter and Google offer news publishers salvation?" (15 September 2015) The Guardian. Accessed here: <http://www.theguardian.com/media-network/2015/sep/15/facebook-twitter-google-apple-news-publishers-instant-articles>.

³⁸ Ad blocking software, once installed, is able to erase some or all advertisements that appear on a web page, such that the reader would never know that an advertisement was meant to be there.

³⁹ PageFair and Adobe, "The cost of ad blocking: PageFair and Adobe 2015 Ad Blocking Report" (2015) at 3. Accessed here: https://downloads.pagefair.com/reports/2015_report-the_cost_of_ad_blocking.pdf

⁴⁰ At 7.

⁴¹ At 7.

⁴² Katie Benner and Sydney Ember "Enabling of Ad Blocking in Apple's iOS 9 Prompts Backlash" (18 September 2015) The New York Times. Accessed here: http://www.nytimes.com/2015/09/19/technology/apple-ios-9s-enabling-of-ad-blocking-prompts-backlash.html?_r=0.

⁴³ Merja Myllylahti JMAD New Zealand Media Ownership Report 2015 (1 December 2015) JMAD, at 1. Accessed here: http://www.aut.ac.nz/_data/assets/pdf_file/0011/608366/JMAD-2015-Report.pdf.

businesses to better deliver what consumers are demanding in the online environment.

- 6.46 Importantly, both Parties already produce content for their online channel first, with an increasing focus on video and audio in addition to written content, and then format selected content from those online channels for their respective print publications. Accordingly, the Parties' content creation activities are in direct competition with the multimedia online offerings of global publishers, broadcasters, and other media and online companies.
- 6.47 An advantage of the merger is to create a stronger, New Zealand-centric news/information focussed organisation, in order to keep quality New Zealand news/information relevant in the increasingly crowded competition for New Zealand consumers' attention. Even in the UK, with a population almost 15 times greater than New Zealand's, local news/ information brands face the same challenge of increasing global competition drowning out the prominence of quality reporting on local issues.⁴⁴

In the news market, the fear is that consumption will fragment further away from traditional UK news brands and that a few well-funded global news outlets can start to dominate. This fear is particularly relevant with respect to younger online audiences who exhibit both a lower stated interest in 'hard' news and are the main target demographic for many online pure play news and information brands. As with other media consumption, the risk here is that a cohort effect in news consumption creates a tipping point in the market where UK news brands no longer have resonance with key advertiser target groups and hence lose out in the battle for audience attention in favour of US-centric and international players.

- 6.48 The efficiencies arising from the Transaction will allow the combined businesses to continue to deliver quality, relevant local content that consumers want and advertisers are therefore attracted to.
- (a) The Transaction will enhance the abilities of the Parties to create high-quality journalistic content, by rationalising their assets and operations and lowering their combined cost base. By rationalising their assets and sharing fixed costs, the Parties will have proportionately more revenue to allocate to high-quality content creation for consumers.
 - (b) The Transaction will place the merged entity in a better position to compete for advertisers with global competitors - such as Google, Facebook, and Microsoft - with a New Zealand-focussed, targeted, data rich offering.
 - (c) If the Parties continue to operate separately, there is a risk that in the short to medium term, continued decreases in print circulation/advertising revenue will result in the rationalisation of incrementally more publications and accordingly a greater risk that the tipping point is reached at which print becomes irrelevant to a sufficiently large number of New Zealanders that all but the most popular titles are no longer viable. []. []. The Transaction provides an opportunity for the Parties to manage the repositioning of print on the reader/advertiser spectrum of options to best target that offering

⁴⁴ Oliver & Ohlbaum Associates Limited "UK news provision at the crossroads: The news market in the 21st Century and the likely implications for the BBC's role" (September 2015). Accessed here: http://www.newsmediauk.org/write/MediaUploads/PDF%20Docs/OandO_NMA_-_UK_news_provision_at_the_crossroads.pdf.

for those consumers for whom print remains a preferred medium for receiving news/information.

7. TRANSACTION DOCUMENTS

7.1 The Parties provide [], at **Appendix Seven**.

8. NOTIFICATION OF OTHER COMPETITION AGENCIES

8.1 []

PART 2: THE INDUSTRY

9. DESCRIPTION OF THE INDUSTRY

9.1 The Parties are active in the provision of news/information content to consumers, and the provision of advertising services to businesses.

9.2 Many relevant features of the industry are described in the "Commercial Rationale for the Acquisition" section above. Additional features are described below.

Production: the creation of content

9.3 Both NZME and Fairfax have independently already reached the conclusion that they must employ a 'digital first' strategy to meet the needs of their consumers. Accordingly, both Parties prioritise the creation of quality, digital-centric editorial product built around audiences and content instead of traditional daily newspaper formats.⁴⁵ Fairfax and NZME journalists and content creators prepare digital content, which is uploaded to the Parties' respective websites and social media accounts continuously throughout the day. Select content will then be picked up and converted to a print format for inclusion in the Parties' respective print publications.

9.4 Approximately [] of Fairfax's digital content, and [] of NZME's digital content, is self-generated.⁴⁶ The remaining [] of Fairfax content, and [] of NZME content, is syndicated from a wide range of other news, information, and entertainment organisations, such as Reuters, the *Los Angeles Times*, Cover Media, BusinessInsider, Associated Press, *Sydney Morning Herald*, the *Washington Post*, and the *Daily Mail*. [].

9.5 []. [].⁴⁷

Distribution: how consumers access news/information

9.6 The platforms through which consumers access content created (or syndicated) by the Parties are set out below.

9.7 **Social media:** As set out above at 6.28 to 6.37, consumers are increasingly reaching news/information through social media platforms, including:

- (a) **Facebook:** Facebook is the largest social network in the world, with 1.59 billion users, and revenues of US\$5.841 billion in Q4 2015.⁴⁸ Facebook is an exceptionally pervasive network, and offers publishers (and advertisers) global access to a vast number of potential consumers. In March 2016 alone, the top 10 most 'shared'⁴⁹

⁴⁵ Fairfax Media "Fairfax NZ moves to create modern newsroom" (press release, 28 May 2015). Accessed here: <http://www.fairfaxmedia.co.nz/pressroom/AU---NZ-Press-Room/AU---NZ-Press-Room/fairfax-moves-to-create-modern-newsroom>.

⁴⁶ These figures are estimated by counting the number of articles/stories (i.e. a two-line article is given the same weight as a 1,000 word article).

⁴⁷ []

⁴⁸ Josh Constine "Facebook Climbs to 1.59 Billion Users And Crushes Q4 Estimates With \$5.8B Revenue" (27 January 2016) TechCrunch. Accessed here: <http://techcrunch.com/2016/01/27/facebook-earnings-q4-2015/>.

⁴⁹ A story is 'shared' when a Facebook user posts a link to the story on their Facebook page, with the effect that that user's Facebook friends are also able to see that story.

publishers together accrued over 27 million story shares.⁵⁰ Facebook's ubiquity is such that [] of Fairfax's content is accessed by consumers via Facebook, and [] of NZME's mobile content is accessed by consumers via social media. Facebook is the leading social news referrer globally, and is understood to create nearly five times as many referrals as any other social network. In addition to Facebook (which is the world's most popular social media platform), Facebook also owns Instagram (the seventh most popular)⁵¹ and WhatsApp (the world's most popular messaging platform).⁵²

- (i) **Instagram:** Instagram announced in 2015 that it wanted to increase its presence in the provision of news/information.⁵³

"People are hungry for what's happening right now in the world," Instagram CEO and cofounder Kevin Systrom said in an interview. "All of us in social media and regular media, we're all competing for the same thing, which is this gap between something happening in the world and you knowing about it."

- (ii) **WhatsApp:** News/information organisations are increasingly using WhatsApp to communicate breaking news stories to consumers. For example, Fairfax launched a WhatsApp news feed channel in December 2014.⁵⁴

[Fairfax] looked to overseas media companies using chat apps to communicate with their readerships before launching WhatsApp alerts for Stuff. Influences included the BBC, which was using chat apps in West Africa to share public service information, and the Washington Post, which used SnapChat during the US elections.

This trend is expected to continue.⁵⁵

Right now, WhatsApp and other platforms like Snapchat offer a quieter alternative for publishers sharing news and stories, in comparison to Twitter and Facebook.

"It's an uncluttered environment," said David Cooperstein, CMO of programmatic direct mail platform PebblePost and Forrester tech analyst. "Publishers know that people are spending a lot of time [on WhatsApp], and they're looking for ways to get visibility where there's not a lot of competition."

Apps like WhatsApp also offer a space that's safe from ad blockers.

⁵⁰ Liam Corcoran "Social Media Editors and Experts Give Their 2016 Predictions" NewsWhip, last accessed 10 May 2016. Accessed here: <http://www.newswhip.com/2015/12/social-media-editors-give-their-predictions-for-2016/#QeH3TAaflXHwz6ew.97>.

⁵¹ eBiz "Top 15 Most Popular Social Networking Sites: May 2016". Accessed at: <http://www.ebizmba.com/articles/social-networking-websites>.

⁵² Randy Milanovic "The World's 21 Most Important Social Media Sites and Apps in 2015" (13 April 2015) SocialMediaToday. Accessed at: <http://www.socialmediatoday.com/social-networks/2015-04-13/worlds-21-most-important-social-media-sites-and-apps-2015>.

⁵³ Deepa Seetharaman "Now Instagram Wants to Be a Source for Real-Time News" (23 June 2015) The Wall Street Journal. Accessed here: <http://blogs.wsj.com/digits/2015/06/23/now-instagram-wants-to-be-source-for-real-time-news/>.

⁵⁴ Jessy Edwards "Stuff gets hip, joins WhatsApp" (11 December 2014) StopPress. Accessed here: <http://stoppress.co.nz/didge/stuff-gets-hip-joins-whatsapp>.

⁵⁵ Hilary Milnes "British Vogue tests breaking fashion news alerts on WhatsApp" (14 March 2016) Digiday. Accessed here: <http://digiday.com/publishers/british-vogue-tests-breaking-fashion-news-alerts-whatsapp/>.

- (b) **Twitter:** Twitter is a social media platform allowing users to post short messages called 'tweets', which are able to be read by any Twitter user who has chosen to 'follow' that person. Twitter boasts 310 million active users.⁵⁶ A 2015 report found that nearly 90% of Twitter users use Twitter for news; three quarters follow individual journalists; and nearly two thirds follow institutional accounts. The report also found (in keeping with the Reuters report discussed above at 6.10) that "Twitter users are also very likely to discover new journalists and writers and consequently follow their work, often on other platforms beyond Twitter."⁵⁷
- (c) **YouTube (Google):** YouTube allows users to upload videos, where they can be watched by anyone in the world. It has "over a billion users - almost one-third of all people on the internet", and growth in watch time is only accelerating - up at least 50% year on year for the last three years in a row. Appreciating this vast influence, all of the top 100 global brands placed ads on YouTube in 2015.⁵⁸

9.8 **Search engines.** Along with social media, search engines are significant channels through which consumers reach news/information. Rather than visiting news/information websites directly, users are increasingly reaching individual stories or videos "via a side door such as search or social media".⁵⁹ As noted above, this development has the effect of fracturing the brand, and thus any brand strength, of publishers, and leading to a greater diversity in the content accessed by consumers. The most significant participants in web search functionality are:

- (a) **Google:** As of 2 February 2016, Google⁶⁰ was the world's most valuable public company, with a market cap of US\$547.1 billion. As of 2014, 89% of Google's revenue is derived from advertising (including display ads and mobile ads).⁶¹ In 2015, Google earned one third of all digital advertising revenue globally, equating to US\$67.39 billion.⁶²
- (b) **Yahoo!:** Yahoo receives 43 million visitors to its website every day. In addition to its search functionality, Yahoo also provides news/information through Yahoo News (see 14.7(b)).

9.9 **Apps:** As noted above, news/information is increasingly being consumed on smartphones and tablets. On these devices, content is often accessed via specific apps. While the Parties, as well as all major international news/information competitors, have their own apps to direct consumers to their own content, consumers are increasingly using social media apps like Facebook, Instagram and WhatsApp to reach individual news stories.

9.10 **Publishers' websites:** Consumers can directly visit the publisher's website for content. As set out in greater detail at 14.4 to 14.10, in addition to an array of

⁵⁶ Twitter "About". Accessed here: <https://about.twitter.com/company>.

⁵⁷ Tom Rosenstiel et al "Twitter and the News: How people use the social network to learn about the world" (1 September 2015) American Press Institute. Accessed at: <https://www.americanpressinstitute.org/publications/reports/survey-research/how-people-use-twitter-news/>

⁵⁸ Youtube "Statistics". Accessed at: <https://www.youtube.com/yt/press/statistics.html>.

⁵⁹ Reuters Institute for the Study of Journalism, "Reuters Institute Digital News Report 2015" (2015) at 15.

⁶⁰ The Google parent company is now known as Alphabet, following a corporate restructure.

⁶¹ Erin Griffith "Bad news for Google parent Alphabet: The 'G' will still foot the bill" (10 August 2015) Fortune. Accessed at: <http://fortune.com/2015/08/10/google-ads-money/>.

⁶² Kris Carlon "Google makes one third of all global online ad revenue, but there's trouble ahead" (18 March 2016) Android Authority. Accessed here: <http://www.androidauthority.com/google-makes-one-third-global-online-ad-revenue-680883/>.

domestic competitors such as MediaWorks, TVNZ, Radio New Zealand, NBC, and Allied Press, there are a large number of international competitors that maintain news/information websites, such as *The Guardian*, the *Daily Mail*, *The Washington Post*, *The New York Times*, *The Telegraph*, the *Huffington Post*, the *BBC*, and so on. All of these players have displayed a willingness and ability to grow internationally, including many that now offer Australian online editions (for example *The Daily Mail Australia*, *BuzzFeed Australia* and *Guardian Australia*).

- 9.11 **Print newspapers:** Consumers can obtain news/information through print newspapers. Depending on the newspaper, customers may have the newspaper delivered free of charge, have the newspaper delivered on a subscription basis, or purchase the newspaper on a stand-alone basis from a retailer (such as a newsagents, supermarket, dairy, or petrol station). A number of international print newspapers are available in New Zealand, including *The Economist*, *The Guardian Weekly*, and *The International Express*.

The Parties' revenue models

- 9.12 There are two broad models by which publishers derive revenue from the provision of news/information:
- (a) via advertising revenues whereby advertisers pay for access to consumers' attention/eyeballs; and/or
 - (b) via a subscription model, whereby consumers pay for access to content (whether online or in print).

Advertising

- 9.13 As noted above, and as demonstrated by their buying behaviour, advertisers are agnostic as to their 'channel to market', and will favour whichever channel offers the most detailed data analytics, enabling targeting of the relevant audience directly, and the most (and most quantifiable) number of 'eyeballs'.

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Subscription/cover prices

- 9.21 Like their counterparts internationally,⁶³ the Parties have each responded to the reduction in circulation of the daily papers by implementing modest

⁶³ William Turvill "UK daily newspapers have double in price since 2004 and shrunk in size- no wonder sales are down" (28 May 2014) PressGazette. Accessed here: <http://www.pressgazette.co.uk/content/uk-daily-newspapers-have-doubled-price-2004-and-shrunk-size-no-wonder-sales-are-down>.

increases in print cover/subscription prices to cover the costs of consumables and distribution. In this context, the fact that cover/subscription prices have not increased further in New Zealand, where there are no material head-to-head paid daily competitors in any particular region, demonstrates that it is not competition between print titles that is the primary competitive constraint on cover/subscription prices. Rather the constraints are:

- (a) consumers' willingness to pay when the same content is available online free; and
- (b) the pressure on publishers to retain print circulation at sufficient levels to demonstrate the continued relevance of print advertising to advertisers.

Paywalls

9.22 In the online world, as noted at paragraph 6.38 to 6.42 above, it is difficult, and counterproductive, for online news/information providers to implement paywalls and charge for content where content of the same nature or quality is easily accessible through social media platforms, rather than through a provider's website/platform. This is becoming the predominant route to news/information content for consumers:⁶⁴

As much as editors and publishers believe readers venerate their brands, the truth is that most of the traffic to a typical news site comes from incidental readers steered to the site via social media, a search request or another external source.

In a recent study, an audience-analytics firm called Parsely found, notably, that 79% of referrals to 400 media sites were from external sources.

With more people than ever relying on news-aggregating apps from Google, Facebook, Apple and others, newspapers in the future are bound to get even more referral traffic than they do today. They can't afford to let paywalls antagonize the new readers they desperately need.

9.23 Other than for specialist publications and/or investigative content (in the nature of market reports or academic articles), which are typically in depth business focussed publications, for example *The Economist*, the potential revenue that can be derived from a paywall will not displace the lost advertising revenue and lost audience data (which further undermines potential advertising revenues).⁶⁵

When publishers launched their paywalls, they hoped to attract bazillions of new customers itching to pay for digital content. Unfortunately, that didn't happen. In but one example, the Gannett Co., the biggest newspaper publisher in the land, reported a while back that it had acquired fewer than 60,000 digital-only subscribers – a sum equal to about 2% of the 3 million print copies sold on an average day.

Yes, the Wall Street Journal and New York Times each has about 1 million digital-only subscribers. But they are unlike the typical newspaper in that they are mission-critical reading for the international elites in government, business and academia, whose readers for the most part pay with the boss's credit card. To put

⁶⁴ Alan D. Mutter "Tear down those paywalls!" (10 December 2015) Reflections of a Newsosaur. Accessed here: <http://newsosaur.blogspot.co.nz/2015/12/tear-down-those-paywalls.html>.

⁶⁵ Alan D. Mutter "Tear down those paywalls!" (10 December 2015) Reflections of a Newsosaur. Accessed here: <http://newsosaur.blogspot.co.nz/2015/12/tear-down-those-paywalls.html>.

those achievements in perspective, 1 million paid readers represents a puny penetration of 0.03% of the 3 billion Internet users in the world. Further, 1 million paid subs pales against the 65 million subscribers of Netflix and the 20 million subscribers at Spotify.

- 9.24 Indeed, paywalls appear to have driven consumers to search engines and social media at an increasing rate, as they seek out free sources of online news/information. For these reasons, in the past 12 months, a number of the international news/information websites that implemented paywalls have made the decision to remove those paywalls, for example The Sun (UK),⁶⁶ the South China Morning Post (Hong Kong),⁶⁷ and The Toronto Star (Canada).⁶⁸
- 9.25 It is not only lost advertising revenue that prevents the implementation of paywalls in today's market environment; consumers worldwide demonstrate a significant unwillingness to pay for online news/information content, as set out in Figure Seven below:

Figure Seven - Future willingness to pay for online news/information content



Source: Reuters Institute Digital News Report 2015.

- 9.26 Accordingly, it is not competition between Fairfax and NZME that will determine whether or not their websites can implement paywalls; rather, it is the need for online news/information providers to attract consumer attention to their content, via social media and other intermediated platforms, in a digital world where there is almost limitless competition for consumers' attention (and therefore almost limitless competition for advertisers' expenditure). This competition will continue to exist, to the same vigorous degree, irrespective of whether the Transaction takes place or not.

10. INDUSTRY DYNAMICS

- 10.1 As described in paragraphs 6.1 to 6.48 above:

- (a) Consumers are increasingly sourcing news/information online, facilitated by extremely high Internet penetration, wide-scale use of Internet-accessible smartphones and tablets, and the increased sophistication of online content channels. As early as 2005, the Commission (in Fairfax New Zealand Limited / Times Media Group Limited) noted the "increasing substitutability between print and the internet", and recognised "that these other media outlets provide a degree of constraint in the market for the provision of news/information services in the print medium."⁶⁹

⁶⁶ Angus Berwick "The Sun tabloid to tear down paywall to boost readership" (30 October 2015) Reuters. Accessed here: <http://uk.reuters.com/article/uk-newscorp-sun-paywall-idUKKCN0SO25V20151030>.

⁶⁷ Yonden Lhatoo. "Paywall down as Alibaba takes ownership of SCMP" (21 April 2016) South China Morning Post. Accessed here: <http://www.scmp.com/news/hong-kong/article/1933763/paywall-down-alibaba-takes-ownership-scmp>.

⁶⁸ Mohamed Omar "Toronto Star: Paywall Coming Down April 1" (7 March 2015) Huffington Post Canada. Accessed here: http://www.huffingtonpost.ca/2015/03/07/toronto-star-paywall-shutting-down_n_6822338.html.

⁶⁹ Commerce Commission, Decision No. 561, *Fairfax New Zealand Limited / Times Media Group Limited* (14 October 2005) at [83].

In the decade that has passed since *Fairfax/Times Media*, the sophistication and pervasiveness of digital publishing has increased exponentially (see 6.2 to 6.37). As a consequence, in addition to competing with local news/information sites such as tvnz.co.nz, newshub.co.nz and rnz.co.nz the Parties also compete with a vast number of global publishers (such as *The New York Times*, the *Huffington Post*, the *Guardian*, the *Daily Mail*, the *Telegraph*, the *Washington Post*, BuzzFeed, Facebook, Twitter, and so on), as sources of everyday news/information and for consumer site views.

- (b) Consumers are also electing to consume their news/information more and more through smartphones and tablets - a transition which is having a fundamental impact upon the manner in which consumers access content, not least due to (a) the portability of those devices; and (b) the tendency of smartphone and tablet use to shepherd users to discrete and individual news stories through controlled apps and social media channels.
- (c) The modern way of experiencing news, information and entertainment content fragments business models on both sides of the two-sided market:
 - (i) On the consumer side, the 'traditional' publisher's brand is diluted and loses significance, because users reach stories on an individual basis through the 'side door' of a social media 'share' or link, or through a premeditated Internet search, rather than simply navigating to a publisher's online home page and exploring the publisher's platform for content. In this environment, as outlined at paragraphs 9.22 to 9.26 above, it is becoming increasingly difficult for publishers to charge for access to their content through the implementation of paywalls.
 - (ii) On the advertising side, publishers now compete with local high traffic sites, like Trade Me, and global corporations with high traffic from local consumers, such as Google, Facebook, YouTube, and so on. The latter group can offer advertisers an unprecedented audience size, and extremely sophisticated data analytics.
- (d) The consequence of combining the factors above is that publishers are facing significant challenges to make up those revenues in the highly competitive, globalised and dynamic online space.

11. RECENT MARKET CONSOLIDATION/EXPANSION

Bauer Media Group (NZ) LP / APN Specialist Publications NZ Limited

11.1 As the Commission will recall, in 2013 Bauer Media Group (NZ) LP, along with an interconnected body corporate, Bauer Consumer Media Limited, were granted clearance to acquire all of the assets used by APN Specialist Publications NZ Limited in the publication of the New Zealand editions of the following magazine titles:

- (a) *New Zealand Woman's Weekly*;
- (b) *Simply You*;

- (c) *Simply You Living*;
- (d) *NZ Listener*, and
- (e) *Creme*.

APN News & Media / Clear Channel

- 11.2 In 2014 APN News & Media acquired the remaining 50% of the shares in the radio-station owner Clear Channel (giving it 100% ownership).⁷⁰ The acquisition included New Zealand's The Radio Network (rebranded NZME Radio), which has nine radio brands in New Zealand.

Allied Press

- 11.3 Allied Press has made two relevant acquisitions in this industry in recent years:
- (a) In September 2014 it acquired 80% of an online classified website PostaNote.co.nz, described by Allied Press as "a local, moderated version of Gumtree or Craigslist",⁷¹ and
 - (b) In July 2014 it acquired The Oamaru Mail, and its website, from the Christchurch Star Company.⁷²

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- 11.4 []

⁷⁰ Dominic White and Sarah Thompson "APN takes full control of radio businesses from Clear Channel, starts capital raising" (19 February 2014) The Sydney Morning Herald. Accessed at: <http://www.smh.com.au/business/media-and-marketing/apn-takes-full-control-of-radio-business-from-clear-channel-starts-capital-raising-20140218-32z63.html>.

⁷¹ Scoop Media "Allied Press Backs Post a Note" (press release, 11 April 2016). Accessed here: <http://www.scoop.co.nz/stories/BU1604/S00358/allied-press-backs-post-a-note.htm>.

⁷² "Oamaru Mail' acquired" (29 July 2014) Otago Daily Times. Accessed here: <http://www.odt.co.nz/news/dunedin/310917/oamaru-mail-acquired>.

PART 3: MARKET DEFINITION

12. RELEVANT MARKETS

Market definition

Markets are two-sided

- 12.1 As the Commission is aware, the media industry operates "two-sided platforms", ie platforms "that create value by facilitating interactions between two or more distinct groups of customers".⁷³ The Commission's *Mergers and Acquisitions Guidelines* specifically cite the example of news media:

For example, a newspaper acts as a platform for both advertisers and readers. The newspaper creates content. The content is used to attract readers, and readers are used to attract advertisers.

- 12.2 The Commission has noted that "Newspapers require both advertisers and readers to exist. They generally derive their revenue primarily from advertising dollars, but their number of readers is the crucial factor in attracting that advertising revenue."⁷⁴
- 12.3 The Commission has referred to this as the "in-built mechanism for preserving competition".⁷⁵

Two-sided platform markets are unique in that they often carry an in-built mechanism for preserving competition. For instance a degradation in the quality of news provided in a community newspaper, or an increase in the price for readers, would have a corresponding effect on its circulation and ultimately on the value to advertisers.

Historical approach to market definition

- 12.4 As relevant to the Transaction, the Commission has previously adopted/defined the following markets when considering other mergers in the industry.

On the advertiser side

- (a) The national market for the provision of advertising services in category specific print magazines (eg separate markets for "fishing and boating", "women's interests", "current affairs magazines", "home and gardening magazines", "youth interest magazines", and so on);⁷⁶
- (b) Local regional specific print advertising services markets (including advertising flyers) - including a recognition that "the internet has had a

⁷³ New Zealand Commerce Commission "Mergers and Acquisitions Guidelines" (July 2013). Accessed here: <http://www.comcom.govt.nz/dmsdocument/10188>.

⁷⁴ Paula Rebstock "Rebstock: Mergers and Acquisitions Summit" (6 March 2006) Scoop. Accessed here: <http://www.scoop.co.nz/stories/BU0603/S00100.htm>.

⁷⁵ Paula Rebstock "Rebstock: Mergers and Acquisitions Summit" (6 March 2006) Scoop. Accessed here: <http://www.scoop.co.nz/stories/BU0603/S00100.htm>.

⁷⁶ See:

- New Zealand Commerce Commission Decision No. 395. Independent News Auckland Ltd / Review Publishing Co Ltd (16 June 2000).
- New Zealand Commerce Commission, Bauer Media Group (NZ) LP / APN Specialist Publications NZ Limited (2014 NZCC 1) 23 January 2014

substantial impact on [community newspaper publishers'] classified advertising";⁷⁷ and

- (c) Local regional specific radio advertising services markets.⁷⁸

On the consumer side

- (d) National category specific magazine markets (eg separate markets for "fishing and boating", "women's interests", "current affairs magazines", "home and gardening magazines", "youth interest magazines", and so on);⁷⁹

- (e) Local regional specific (not-daily) print community newspaper / local news and information services markets;⁸⁰

- (f) Local regional specific print metropolitan / regional newspaper / national and international news and information services markets; and

- (g) Local regional specific free-to-air radio content services markets.⁸¹

12.5 Overseas regulators have previously taken a similar approach to market definition on the advertising side when considering media mergers that relate to online businesses. For example, the European Commission ("**EC**") has defined a national market for online advertising.⁸²

12.6 On the consumer side, (in 2010) the EC did not adopt a conclusive view as to whether print newspapers and online news services were in the same market.⁸³ Part of the EC's rationale for not reaching a concluded view was due to the "very nascent nature" of digital devices, such as tablets and e-readers, at that time.

12.7 The Parties do not believe that the New Zealand market dynamics prevailing today support the Commission taking such a narrow approach to market definition. But, even if that approach were adopted, the Transaction will only result in competitive overlap in a relatively small number of markets given the complementary nature of the Parties' businesses. The overlaps would be:

⁷⁷ See:

- Decision No. 329. *Independent Newspapers Ltd / The Marlborough Express Newspaper Company Ltd* (2 October 1998).
- Decision No. 561. *Fairfax New Zealand Ltd / Time Media Group Ltd.* (14 October 2005).

⁷⁸ See:

- Decision No. 294. *The Radio Network of New Zealand Ltd / C93FM (Christchurch) Ltd.* (26 May 1997).
- Decision No. 557. *Canwest Radioworks Ltd / Radio FM Licenses in Northland.* (31 August 2005).

⁷⁹ *Bauer Media Group (NZ) LP and APN Specialist Publications NZ Limited* [2014] NZCC 1.

⁸⁰ See:

- Decision No. 329. *Independent Newspapers Ltd / The Marlborough Express Newspaper Company Ltd* (2 October 1998).
- Decision No. 561. *Fairfax New Zealand Ltd / Time Media Group Ltd.* (14 October 2005).

⁸¹ See:

- Decision No. 294. *The Radio Network of New Zealand Ltd / C93FM (Christchurch) Ltd.* (26 May 1997).
- Decision No. 557. *Canwest Radioworks Ltd / Radio FM Licenses in Northland.* (31 August 2005).

⁸² European Commission Case No COMP/M.7288 - Viacom/ Channel 5 Broadcasting (9 September 2014). Accessed here:

http://ec.europa.eu/competition/mergers/cases/decisions/m7288_20140909_20310_3881848_EN.pdf

⁸³ European Commission Case No COMP/M.5932 – News Corp/ BSkyB (21 December 2010). Accessed here: http://ec.europa.eu/competition/mergers/cases/decisions/m5932_20101221_20310_1600159_EN.pdf

On the advertiser side

- (a) Local regional specific print advertising services (including advertising flyers) in the following areas: Northland; Auckland; Waikato; Bay of Plenty / Coromandel; Taranaki; Hawke's Bay; Manawatu; Wellington; and the North Island (in respect of Sunday newspapers).
- (b) National online advertising.

On the consumer side:

- (c) Local regional specific (not-daily) print community newspaper / local news and information services in the following areas: Northland; Waikato; Bay of Plenty / Coromandel; Taranaki; Hawke's Bay; Manawatu; Wellington.
- (d) Local regional specific print metropolitan / regional newspaper / national and international news and information services in the following areas: Waikato; Hawke's Bay; and The North Island (in respect of Sunday newspapers).
- (e) National online news and information services.

- 12.8 Even considering these narrow market segments, which do not reflect all the competitive constraints in today's converged world, the Parties are confident that the Transaction will not give rise to a substantial lessening of competition in any affected market for the reasons outlined at paragraph 14 below.

Historical approach no longer appropriate

- 12.9 However, in the context of the industry dynamics described above, the previous narrow market definitions simply do not correctly capture, as a matter of commercial common sense, the opportunities for substitution between media that are available to consumers and advertisers in 2016 and on a forward-looking view of the market.
- 12.10 In particular, due to the ongoing, significant, and rapidly increasing digital/media convergence, it is not appropriate to draw distinctions between:
- (a) online and print advertising; and
 - (b) print and online news/information services.
- 12.11 Convergence is increasingly being taken into account by antitrust regulators. For example:
- (a) The Australian Competition and Consumer Commission ("the **ACCC**") in 2006 recognised that:⁸⁴
 - (i) "Developments in the internet mean that newspapers and online media directly compete"; and
 - (ii) "Newspaper-based websites face increased competition for consumers relative to traditional hardcopy newspapers. First, a variety of websites other than newspaper-based

⁸⁴ Australian Competition and Consumer Commission "Media Mergers" (August 2006). Accessed here: <https://www.accc.gov.au/system/files/Media%20Mergers%20-%202011.pdf>.

websites provide print news coverage (often with audio and visual coverage as well). The ABC Online, NineMSN and CNN are examples. Second, geographic location no longer limits delivery—foreign news websites are accessible from Australia. Third, search engines, such as Google News enable consumers to target specific stories of interest from a variety of news sources such as Reuters as well as from newspaper sites while general web searches allow consumers to rapidly access original sources, such as government documents, bypassing journalistic summary and interpretation altogether".

- (b) The UK's Ofcom (in 2011) observed, in considering a merger of community newspapers:

Consumers and advertisers make use of a number of different media sources to access local content, news and information. Although their use may be partly complementary, they may also be regarded as substitutes. The constraint from online, in particular, may have increased, and has contributed to the decline in the consumption of local newspapers. As use of the internet increases, this constraint is likely to become ever stronger.

As a result, even following a merger, a local newspaper may still find it difficult to raise prices to advertisers and consumers as they may be able to switch their advertising to another media source.

Ofcom observed that this constraint exists on both sides of the platform:

- (i) "On the advertising side of the market, constraints appeared to be ever-growing from online advertising, where online national advertising is increasingly encroaching on what was previously local print advertising. We said this is likely to be mirrored for consumers, although it varies by consumer group."⁸⁵
- (ii) On the consumer side of the market, "If cover prices are increased, readers may choose to obtain local news and other information from alternative sources such as other local newspapers, local radio or the internet and a reduction in circulation due to readers' substitution to alternatives may mean that the newspaper is less attractive to advertisers... The willingness and ability of consumers to use different media sources to access a variety of local content provides some indication of a degree of direct competitive constraint on the pricing behaviour of local newspapers. Moreover, it is likely that this trend towards increased use of the internet will continue, suggesting that it will become a growing constraint."⁸⁶

⁸⁵ Ofcom "Local media Assessment on the proposed acquisition by the Kent Messenger Group of seven Kent newspaper titles from Northcliffe Media" (31 October 2011). Accessed here: <http://stakeholders.ofcom.org.uk/market-data-research/other/cross-media/local-media-assessments/cases/northcliffe-media/>.

⁸⁶ Ofcom "Local media Assessment on the proposed acquisition by the Kent Messenger Group of seven Kent newspaper titles from Northcliffe Media" (31 October 2011). Accessed here: <http://stakeholders.ofcom.org.uk/market-data-research/other/cross-media/local-media-assessments/cases/northcliffe-media/>.

- (c) The German antitrust authority (in 2011) recognised a competitively significant convergence between in-video-streaming online advertising with TV advertising.⁸⁷
- (d) The Commission (in 2014) recognised that Bauer would be unable to increase its prices for magazine advertising due to the advertisers' ability to switch their advertising spend to "alternative advertising platforms" (including online platforms),⁸⁸
- (e) The Commission considered the wholesale supply of physical and digital music together in *Universal/EMI* (in 2012),⁸⁹ and did not find it necessary to draw a distinction between printed and e-books in *Penguin/Random House* (in 2013),⁹⁰ and
- (f) The Canadian Competition Bureau (in 2015) approved a merger between two print newspaper businesses due, in part, to "the increasing competitive pressures from digital alternatives in an evolving media marketplace".⁹¹

12.12 Even since these decisions, we have seen convergence dynamics accelerate in New Zealand. Examples include the launch of MediaWorks' Newshub early this year, the launch of Facebook's Instant Articles last month (in April 2016), and the significant acceleration of smartphones as the key device for accessing online content (refer to paragraphs 6.9 and 6.10 above).

Convergence has driven policy responses

12.13 As has been observed in the Ministry of Business, Innovation & Employment's ("MBIE") and the Ministry for Culture Heritage's ("MCH") joint discussion paper on *Exploring Digital Convergence*:⁹²

For communications businesses, convergence affects investment patterns and alters competition and market structures. The fact that different products and services are no longer bound to specific networks increases the accessibility of those products and services. However, **it also increases the substitutability of products that were previously part of distinct industries** (for example, the use of third-party software to deliver video calls over smart televisions). This **exposes businesses to greater competitive pressure** and adds new complexity to the decisions companies make on technology investments or in the pursuit of product innovation and market diversification. [Emphasis added]

12.14 As a result, the Minister for Communications has tasked MBIE and MCH with reviewing whether legislation "written before the impacts of convergence were present in New Zealand... reflects the reality of a converged market".⁹³

⁸⁷ Bundeskartellamt, B6-94/10 *Untersagung Gründung eines Gemeinschaftsunternehmens zwischen der RTL interactive GmbH und der ProSiebenSat.1 Media AG* (17 March 2011). Accessed here: <http://www.bundeskartellamt.de/SharedDocs/Entscheidung/DE/Fallberichte/Fusionskontrolle/2011/B6-94-10.pdf?blob=publicationFile&v=4>

⁸⁸ New Zealand Commerce Commission, *Bauer Media Group (NZ) LP / APN Specialist Publications NZ Limited* (2014 NZCC 1) 23 January 2014 at [160].

⁸⁹ *Universal Music Holdings/ EMI Group Global Limited* [2012] NZCC 14.

⁹⁰ *Bertelsmann SE & Co. KGaA and Pearson plc* [2013] NZCC 6.

⁹¹ Canada Competition Bureau "Competition Bureau will not challenge Postmedia's acquisition of Sun Media" (25 March 2015). Accessed here: <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03898.html>.

⁹² Ministry of Business, Innovation and Employment "Exploring Digital Convergence: Issues for Policy and Legislation". Accessed here: <http://convergencediscussion.nz/wp-content/uploads/2015/08/Exploring-Digital-Convergence-Issues-for-Policy-and-Legislation-2015-08-27.pdf>.

12.15 The Australian Law Reform Commission ("**ALRC**") has similarly recognised that "technology has eroded the traditional divisions between free-to-air (FTA) television and the internet, newspapers and websites, radio and streaming services".⁹⁴ The Organisation for Economic Co-operation and Development ("**OECD**") states that "media policy needs to be premised upon content abundance and increased media competition, rather than upon [historical] distribution scarcity and monopolistic or oligopolistic media markets."⁹⁵

12.16 These dynamics are not just resulting in convergence and significant competition between different kinds of media, but also convergence and significant competition between media/content providers from different countries. As the MBIE / MCH paper observes:

The impact of convergence related competition is further amplified by **increasing competition between local and international TIME firms**. While the small size of New Zealand's domestic market and its relative geographic isolation once offered some protection to local firms, globalisation and the falling cost of international bandwidth are making it increasingly attractive for international communications services firms overseas to launch localised product offerings in New Zealand. Even where foreign companies elect not to launch localised products, **New Zealand consumers are becoming increasingly active in seeking ways to access foreign content and services available in other jurisdictions**. [Emphasis added]

12.17 The OECD has similarly observed that media markets have become international.⁹⁶

12.18 For these same reasons, the Commission can and should revisit historic approaches to market definition as they do not reflect the reality of a converged market; in particular due to the significant changes in the industry since the Commission last considered newspaper publishing in 2005, when it first recognised.⁹⁷

..."the internet's increasing role in provision of news and information services... Although not treating them as falling within the same market, the Commission recognises that these other media outlets provide a degree of constraint in the market for the provision of news/information services in the print medium... there is some substitutability between print news/information and internet news/information provision."

12.19 As described in *Exploring Digital Convergence*, since 2008 the number of New Zealanders accessing news online has grown from 25% to 54% in 2015⁹⁸ (and

⁹³ Ministry of Business, Innovation and Employment *Exploring Digital Convergence: Issues for Policy and Legislation* (2015). Accessed here: <http://convergencediscussion.nz/wp-content/uploads/2015/08/Exploring-Digital-Convergence-Issues-for-Policy-and-Legislation-2015-08-27.pdf>.

⁹⁴ Department of Broadband, Communications and the Digital Economy "Convergence Review: Interim Report" (2011), at iv. Referred to at: <http://www.alrc.gov.au/publications/responses-discussion-paper>

⁹⁵ Organisation for Economic Co-operation and Development, *Policy Considerations for Audio-Visual Content Distribution in a Multiplatform Environment* (2007), at 17–18. Accessed here: <https://www.oecd.org/sti/37868139.pdf>.

⁹⁶ Organisation for Economic Co-operation and Development, *Policy Considerations for Audio-Visual Content Distribution in a Multiplatform Environment* (2007), at 17–18. Accessed here: <https://www.oecd.org/sti/37868139.pdf>.

⁹⁷ New Zealand Commerce Commission Decision No. 561. *Fairfax New Zealand Ltd / Time Media Group Ltd*. (14 October 2005).

⁹⁸ Ministry of Business, Innovation and Employment *Exploring Digital Convergence: Issues for Policy and Legislation* (2015). Accessed here: <http://convergencediscussion.nz/wp-content/uploads/2015/08/Exploring-Digital-Convergence-Issues-for-Policy-and-Legislation-2015-08-27.pdf>.

it is now estimated that [] of the population of New Zealand access news/information websites online).⁹⁹

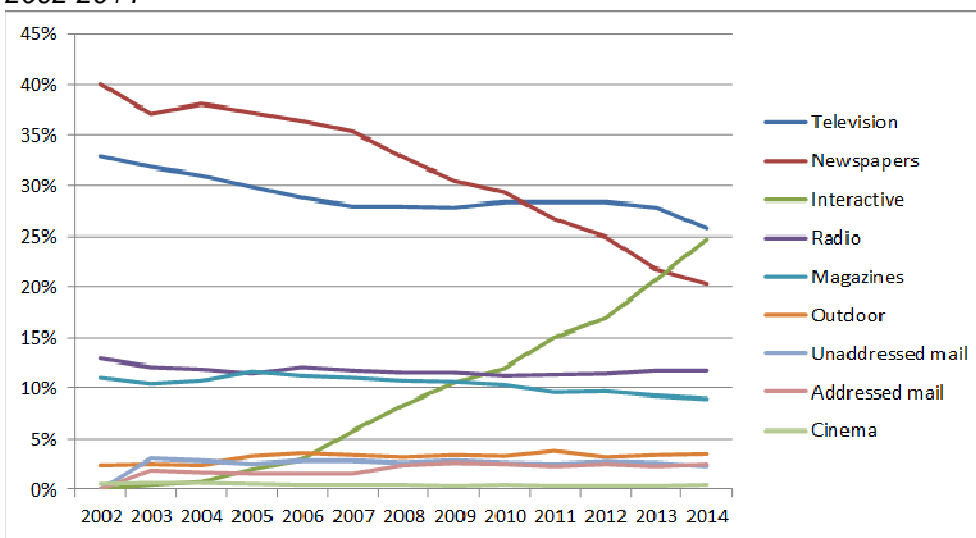
Data supports broader market definition

- 12.20 The substitutability between online and print media on the advertising side is demonstrated in Figures Eight and Nine below, which show a direct correlation between the increase in online (called "interactive") advertising expenditure and the decrease in print newspaper advertising expenditure. These graphs only show data through to 2014, but the Parties' experience has been that the trend has increased through to 2016. Further, while the graphs suggest that the share of advertising expenditure lost from print newspapers is being directed to 'interactive'/digital advertising expenditure, it is far from the case that this switching is resulting in a direct one-to-one replacement of revenues for traditional news/information publishers. []. As noted above, it is estimated, for example, in the US 85 cents of every incremental dollar spent in online advertising now goes to Google or Facebook.¹⁰⁰ [].

⁹⁹ []

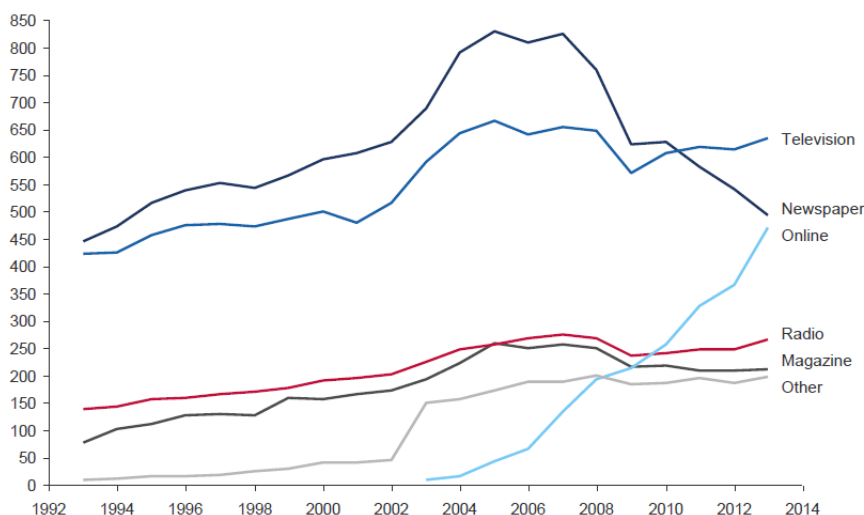
¹⁰⁰ John Herrman "Media Websites Battle Faltering Ad Revenue and Traffic" (17 April 2016) The New York Times. Accessed here: http://www.nytimes.com/2016/04/18/business/media-websites-battle-faltering-ad-revenue-and-traffic.html?_r=0.

Figure Eight - New Zealand share of advertising expenditures across different media, 2002-2014



Source: Advertising Standards Authority (ASA).

Figure Nine - New Zealand Advertising expenditures (\$) across different media, 1992-2014



Source: Advertising Standards Authority (ASA).

12.21 Relevant economics literature also finds that the constraint between online and newspaper advertising is likely to place them in the same relevant antitrust market.¹⁰¹

¹⁰¹ James D Ratliff and Daniel L Rubinfeld "Online Advertising: Defining Relevant Markets" (2010) 6(3) Journal of Competition Law and Economics 653. See also David S. Evans "The Online Advertising Industry: Economics, Evolution and Privacy" (2009) 23(3) Journal of Economic Perspectives 37.

Market positioning of competitors

- 12.22 Furthermore, the rise of sophisticated data analytics in targeting online advertisements to particular customers, by the likes of Google and Facebook, means that local community papers or printed flyers can no longer be regarded as having a superior ability to target particular customers in localised areas. In fact, online advertising is now the superior product for targeting particular consumers' preferences. Figures Ten and Eleven, from Google's AdWords webpage and Facebook's "Local Awareness adverts" page, demonstrate that online advertising platforms market themselves as being able to target particular consumers in localised areas, including by making direct comparisons to local newspapers and flyers.

Figure Ten - Google AdWords' description of its localised advertising offer

Target ads to geographic locations

- AdWords location targeting allows your ads to appear in the geographic locations that you choose: countries, areas within a country, a radius around a location, or location groups.
- Location targeting helps you focus your advertising on the areas where you'll find the right customers, and restrict it in areas where you don't – which could help increase your **return on investment (ROI)** as a result.

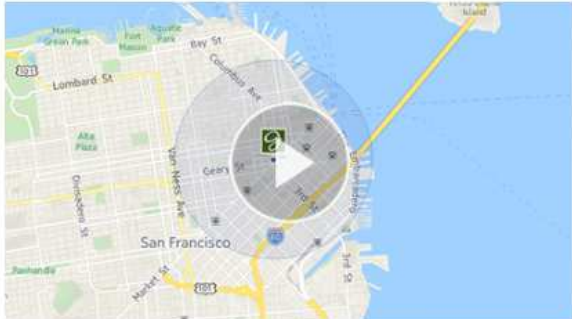
When it comes to advertising on AdWords, consider the real estate adage: "Location, location, location!" Regardless of how great your ad is, it probably won't perform as well if it doesn't appear in the right places. Reach your customers where they are and where your business can serve them by using AdWords location targeting. You can set and then adjust your location targeting settings at any time.

Source: <https://support.google.com/adwords/answer/1722043?hl=en>.

Figure Eleven - Facebook's description of its "Local Awareness adverts"

facebook for business

Be found and connect with a local audience




Our new local awareness objective is the best way to reach people when they're near your business, whether that means within walking distance or a few miles away.

Adverts can be created directly from your Page. All you need to do is set a budget, choose a photo and create an engaging message for the people in your area. We do the rest.

Use it today to get more sales, new customers and great results.


Log in to Get Started

Growing awareness has never been easier




The right audience

Target people when they're near your business and people who live in your selected area, whether that means within walking distance or a few miles away.



Costs less

Spend less money by reaching more people in your area per pound spent than with any other kind of advertising, including newspaper or direct mail.



Simple setup

Create Local Awareness adverts directly from your Facebook Page. All you need to do is set a budget and the area you want to reach. We'll do the rest.

Source: <https://www.facebook.com/business/a/local-awareness-ads>

12.23 Localised print advertising providers compete vigorously against these national and international online advertising providers.

Conclusion on market definition

12.24 Accordingly, properly considered, the Parties consider that the relevant markets for assessing the Transaction are:

On the advertiser side:

- (a) The New Zealand market for the provision of print and online advertising services to advertisers. The Parties consider that, as a matter of commercial reality, the market is likely to be broader, and also include other advertising sources such as TV, radio, billboards,

etc, but have adopted a print and online advertising market to be conservative.

On the consumer side:

- (b) The New Zealand market for the provision of print and online news and information services.

12.25 Further support for this approach is set out in the attached report by NERA Economic Consulting at **Appendix Thirteen**.

Vertical integration

12.26 The Transaction will not give rise to additional levels of vertical integration.

PART 4: COUNTERFACTUAL**13. THE COUNTERFACTUAL**

- 13.1 If the Transaction did not occur, then in the short term NZME and Fairfax would continue to operate as separate entities. The Parties' ability to innovate, diversify and improve their offerings, to reach and engage the same scale of consumers, with diverse and attractive content, would naturally be more limited than if they were able to pursue this Transaction.
- 13.2 In addition, each Party considers in the Counterfactual [].

PART 5: COMPETITION ANALYSIS

14. EXISTING COMPETITORS

- 14.1 A list of the Parties' major competitors is set out at **Appendix Eight**.
- 14.2 This section sets out the constraints that will continue to operate on the merged entity. First, the converged market, which the Parties view as the appropriate market definition in this case, is examined. Second, each narrower segment of the market is considered (being narrow segments that do not reflect all the competitive constraints in today's converged world). On either analysis the Transaction does not give rise to a substantial lessening of competition in any relevant market.
- 14.3 The categories of overlaps considered are as follows:
- (a) First, a converged national market for:
 - (i) print and online news/information services to consumers; and
 - (ii) print/online advertising services.
 - (b) Second, each of the print and online overlaps in:
 - (i) local and regional print advertising (advertisers);
 - (ii) national online advertising (advertisers);
 - (iii) community papers in the North Island (consumers);
 - (iv) paid dailies in Waikato and Wellington (consumers);
 - (v) paid Sunday papers in the North Island (consumers); and
 - (vi) national online news/information services (consumers).

Converged market - consumers

- 14.4 The New Zealand market for the provision of print and online news/information services will remain highly competitive. The Transaction will not provide the Parties with an ability to increase prices above competitive levels (or, indeed, reduce quality) given the competitive nature of the market - including a range of New Zealand based and global competitors.
- 14.5 Looking only at the New Zealand based/focused competitors, a number of significant print/online news and information competitors will remain, including:
- (a) **MediaWorks:** MediaWorks, with its new converged digital / TV / radio "Newshub" newsroom, is a close competitor to the respective digital offerings of NZME and Fairfax.¹⁰²

In the Newshub era, Jennings says NZME's Currie and his converged newsroom is TV3's main rival, instead of traditional competitor TVNZ's *ONE News*. The pair have

¹⁰² Bill Ralston "Hold the homepage" (4 March 2016) New Zealand Listener. Accessed here: <http://www.listener.co.nz/current-affairs/media/hold-the-homepage/>.

spent up large redeveloping the way they produce news. Newshub is said to have cost MediaWorks \$5 million and Currie admits NZME has sunk "millions" into its newsroom.

Indeed, the change in MediaWorks' focus from being a TV / radio broadcaster with an online news website was demonstrated by the rapid uptake of its www.newshub.co.nz website and app when it launched in January 2016:¹⁰³

On Newshub.co.nz's first day, unique visitors to the site grew 32% compared to Auckland Anniversary Day last year. Video streams increased a significant amount, with 48% being views of Newshub Live at 6pm.

Within 18 hours of launch the Newshub app became the most popular app download, and most popular news app, in the App Store ("with 5-star reviews," MediaWorks says).

- (b) **Television New Zealand:** TVNZ has also recently invested significant capital in shifting its focus from being a TV broadcaster with an online news website, to being a multimedia, including online, news/information provider. As set out in TVNZ's FY2015 Annual Report:¹⁰⁴

Looking at TVNZ's free-to-air television business, the number of people using TV is slowly declining in favour of digital options. This is something that TVNZ is embracing as opposed to resisting, hence the significant investment this financial year in rebuilding TVNZ OnDemand and One News Now online services.

The success of TVNZ's shift in focus can again be seen in the increased uptake of its online offering: "TVNZ's online news platform streamed over 27 million videos in FY2015 – up 45% year-on-year." TVNZ recognises that it is not just other New Zealand based online competitors that it is competing against:¹⁰⁵

Tactically TVNZ will need to continue competing with other local media players however the strategic reality is that we will increasingly be competing with global online players.

...while TVNZ is performing well relative to domestic media competitors, the competition for viewer eyeballs and advertising dollars is increasingly being driven by global scale players" (TVNZ, 2015).

- (c) **RNZ:** RNZ, New Zealand's public service broadcaster, has similarly embarked on a recent transition from being a radio broadcaster to being a "multi-media broadcaster". This process commenced in earnest with the rebrand in October 2015 from "Radio New Zealand" to "RNZ", which is in line with the branding of overseas public

¹⁰³ Mad Daily "Story rocks 7 Sharp in early Newshub ratings" (2 February 2016). Accessed here: <http://www.mad-daily.com/story-rocks-7-sharp-in-early-newshub-ratings/>.

¹⁰⁴ TVNZ *Annual Report, Financial Year 2015* (2015). Accessed here: http://www.parliament.nz/resource/minz/51DBHOH_PAP66276_1/2709a35caac09b75442a36f8fcfb4195d6ba05fa

¹⁰⁵ See:

- TVNZ *Annual Report, Financial Year 2015* (2015). Accessed here: http://www.parliament.nz/resource/minz/51DBHOH_PAP66276_1/2709a35caac09b75442a36f8fcfb4195d6ba05fa.
- Merja Myllylahti, *JMAD New Zealand Media Ownership Report 2015* (1 December 2015) JMAD. Accessed here: http://www.aut.ac.nz/data/assets/pdf_file/0011/608366/JMAD-2015-Report.pdf.

multimedia broadcasters such as the BBC and ABC, and sees it competing directly with NZME and Fairfax.¹⁰⁶

The re-branding is in line with the broadcaster's greater emphasis on online content through the youth-focused website, thewireless.co.nz, launched in October 2013, and the recently launched "First Person" podcast with long time TV3 presenter, John Campbell.

...

Nearly a million people had visited the RNZ website during the month of September, which left the state broadcaster behind Stuff and the NZ Herald website in terms of user numbers.

Even before the rebrand, RNZ was becoming an increasingly visible competitor in the online news/information space. In September 2015 RNZ's website radionz.co.nz had 992,116 users and 4.2 million page views, and thewireless.co.nz, targeted to younger age groups, had 103,031 users and 170,430 page views.¹⁰⁷

RNZ's online presence will only increase further with the passing of the Radio New Zealand Amendment Bill on 30 March 2016, which confirms RNZ's role is to become a multimedia (not just radio) broadcaster.¹⁰⁸

"Section 8 of the Bill, covering the revised Charter, provides the multi-media broadcaster with the impetus to take advantage of the most effective means of delivery to reach its audiences.

"This multiplatform approach sees RNZ's services, whether it be podcasts, live streaming or a smartphone app, tailored to meet audience needs. This framework ensures RNZ is fit for purpose and the Bill reflects its role as a responsive public broadcaster operating in a multi-media landscape.

In 2014/15, radionz.co.nz page views reached 36 million (15 million higher than the previous year) and users of the RNZ mobile app grew by some 50 per cent," Ms Adams says.

- (d) **Allied Press:** Allied Press is the publisher of the *Otago Daily Times* and a number of other newspapers in Canterbury, Westland, Otago and Southland. It also produces TV stations in Christchurch and Dunedin, as well as the online news/information platform www.odt.co.nz, and an online trading platform (Post a Note). Allied Press's www.odt.co.nz news/information platform is said to have 32,000 visitors each day. Allied Press has more than 400 employees,¹⁰⁹ and its owners are estimated to have a private worth of \$70 million.¹¹⁰ While its target market is southern New Zealand, it

¹⁰⁶ Joshua Riddiford "Small change, big shift: why Radio New Zealand has joined the acronym party" (5 November 2015) StopPress. Accessed here: <http://stoppress.co.nz/news/radio-new-zealand-rebrand-rnz-reflects-multimedia-approach-state-broadcaster>.

¹⁰⁷ Merja Myllylahti, *JMAD New Zealand Media Ownership Report 2015* (1 December 2015) JMAD. Accessed here: http://www.aut.ac.nz/_data/assets/pdf_file/0011/608366/JMAD-2015-Report.pdf

¹⁰⁸ Amy Adams "Bill ensures ongoing success for RNZ" (press release, 30 March 2016). Accessed here: <https://www.beehive.govt.nz/release/bill-ensures-ongoing-success-rnz>.

¹⁰⁹ Allied Press homepage. Accessed here: <https://www.alliedpress.co.nz/>.

¹¹⁰ National Business Review "Smith Nick & Julian". Accessed here: <http://www.nbr.co.nz/nick-julian-smith>.

carries national and international news, and could readily expand its target audience to other parts of New Zealand.

- (e) **Scoop:** Scoop is a 16-year old online news publisher that is described as "NZ's largest independent news source; respected widely in media, political, business and academic circles for being the place on the internet for publishing "what was really said", and for the quality of its analysis of issues."¹¹¹ Scoop.co.nz has 552,000 monthly unique visitors.¹¹² In September 2015 Scoop was "embedded in an independent charitable trust" entitled Scoop Foundation to become a non-profit media outlet committed to public interest journalism. Scoop is building a platform – the New Scoop – to support its new initiative.¹¹³
- (f) **Bauer Media Group:** Bauer Media Group is a European-based media company, headquartered in Hamburg, Germany that manages a portfolio of more than 600 magazines, over 400 digital products and 50 radio and TV stations around the world. In New Zealand, Bauer has a number of New Zealand focussed news/information magazine mastheads, including:
- (i) *The New Zealand Listener*, a weekly print publication described as "New Zealand's highest-selling and best-read current affairs magazine... full of witty insight and award-winning investigative journalism."¹¹⁴ It has an associated online platform at www.listener.co.nz.
- (ii) *Metro*, a monthly news/information magazine targeted to Aucklanders. It covers education, health, food, politics, the arts, fashion, design, crime, travel, sport and social trends. It has an associated online platform at www.metromag.co.nz.
- (iii) *North & South*, which is described as "New Zealand's best-read monthly current affairs and lifestyle magazine. We're proud of our investigative journalism, profiles, reviews and wonderful photography (and we have more than 200 journalism awards to show for it). We don't back off from the difficult issues and tough stories, but by the same token, we never stop celebrating this land and its people."¹¹⁵

With its existing team of New Zealand-based journalists, and popular mastheads and online platforms, Bauer Media could readily expand its online news/information presence if it identified market opportunities.

- (g) **The National Business Review:** The NBR is a privately owned financial news outlet that has been published in New Zealand for 44 years.¹¹⁶ As at September 2015, the newspaper employed 17 journalists who wrote content for print and online versions of the

¹¹¹ Scoop "Advertising". Accessed here: <http://www.scoop.co.nz/services/advertising.html>.

¹¹² Scoop "Advertising". Accessed here: <http://www.scoop.co.nz/services/advertising.html>.

¹¹³ Take Back the News homepage. Accessed here: <http://takebackthenews.nz/>.

¹¹⁴ Bauer Media Group "New Zealand Listener". Accessed here: <http://www.bauermedia.co.nz/brands/new-zealand-listener/>.

¹¹⁵ Bauer Media Group "North & South". Accessed here: <http://www.bauermedia.co.nz/brands/north-south/>

¹¹⁶ The National Business Review 2015 Media Kit. Accessed here: http://www.nbr.co.nz/sites/default/files/NBR%20Media%20Kit%20Print%20%26%20Online%202015_0.pdf.

paper.¹¹⁷ The National Business Review's online platform, www.nbr.co.nz, has 55,000 unique browsers per week.¹¹⁸

- (h) **BusinessDesk:** BusinessDesk is a wholesale news/information content provider established in 2008 by journalists Jonathan Underhill and Patrick Smellie, to create business news and commentary for online and print publishers in New Zealand (including *National Business Review*, *NZME* and *Yahoo!NZ*).¹¹⁹ It employs 5.5 full-time journalists.¹²⁰
- (i) **Hive News:** Based in Wellington, HiveNews.co.nz is an online news/information service with a political focus. HiveNews.co.nz is owned and run by publisher Bernard Hickey and employs a further reporter and sub-editor. The news service publishes news, analysis, commentary and information throughout the day for its subscribers as well as sending emails and news alerts.
- (j) **Interest.co.nz:** Interest.co.nz is a business focussed news/information website operated by JDJL Ltd. It has ~200,000 unique visitors per month.¹²¹
- (k) **The Spinoff:** www.thespinnoff.co.nz/ is a New Zealand website launched in 2014, covering a variety of news and lifestyle media. It is published and edited by Duncan Greive and has ten staff writers.
- (l) **Politik:** Politik is described as the "only New Zealand news website devoted exclusively to independent political journalism that is updated daily".¹²² It is headed by the former TVNZ political editor Richard Harman.
- (m) **Investigate Daily:** Investigate Daily is Ian Wishart's online news site, described as "where news breaks first".
- (n) **Tangible Media:** Tangible Media is a New Zealand media business with a team of 45, including specialist editors and designers across both print and digital platforms. Tangible Media produces a number of titles, including StopPress (www.stoppress.co.nz), which is New Zealand's daily news service for marketing, media and advertising executives, and print magazines such as *Dish*, *Good*, *Habitat*, *NZ Rugby World*, *NZ Fishing World*, *Idealog*, *NZ Marketing*, *New Zealand Weddings*, and *NZ Retail*.

14.6 There are also a number of other media organisations, and sources of content, based in New Zealand that compete (or readily could compete) to provide news/information services to New Zealand consumers. For example:

¹¹⁷ Merja Myllylahti, *JMAD New Zealand Media Ownership Report 2015* (1 December 2015) JMAD. Accessed here: http://www.aut.ac.nz/_data/assets/pdf_file/0011/608366/JMAD-2015-Report.pdf.

¹¹⁸ The National Business Review 2015 Media Kit. Accessed here: http://www.nbr.co.nz/sites/default/files/NBR%20Media%20Kit%20Print%20%26%20Online%202015_0.pdf.

¹¹⁹ <http://businessdesk.co.nz/About.aspx>.

¹²⁰ Merja Myllylahti, *JMAD New Zealand Media Ownership Report 2015* (1 December 2015) JMAD. Accessed here: http://www.aut.ac.nz/_data/assets/pdf_file/0011/608366/JMAD-2015-Report.pdf.

¹²¹ www.interest.co.nz/advertise.

¹²² Politik "Frequently Asked Questions" (18 March 2016). Accessed here: <http://politik.co.nz/en/content/FAQs/571/FREQUENTLY-ASKED-QUESTIONS.htm>.

- (a) **Sky TV** and **Maori TV** could both readily expand their existing TV broadcasting presence into online news platforms if they identified a market opportunity. [].
- (b) **Blogs:** Blogs provide New Zealand journalists the ability to bypass any form of media organisation, and deliver their content direct to consumers. For example:
 - (i) Tim Watkin's *Pundit*;
 - (ii) David Farrar's *Kiwiblog*;
 - (iii) Martyn Bradbury's *The Daily Blog*;
 - (iv) Russell Brown's *Hard News*;
 - (v) Cameron Slater's *Whale Oil*;
 - (vi) *The Standard*;
 - (vii) *The Dim-Post*;
 - (viii) Chris Trotter's *Bowalley Road*; and
 - (ix) AUT's Briefing Papers, a website that hosts a series of papers are focussed on assessing the state of the country as the basis for public discussion and debate.

14.7 In addition to the above, the Parties will also be constrained by a very large number of international online publishers. Some of the most-viewed online news and information websites globally include:

- (a) **Google News:** A free news aggregator that collates news from thousands of publications, based on the user's stated preferences.
- (b) **Yahoo! News:** Yahoo! News began as an Internet-based news aggregator for the search engine company Yahoo! Over time, Yahoo! News began to create more and more original content. In 2016, the market data collection company Alexa claimed Yahoo! News was the fifth most visited news site in the world.¹²³
- (c) **The New York Times:** *The New York Times* is a US-based newspaper, the online version of which attracts 65.8 million unique visitors per month.¹²⁴ It also offers tablet and smartphone apps.¹²⁵
- (d) **BBC Online:** BBC Online is the online offering from the British Broadcasting Corporation, the British public service broadcaster. It is the oldest national broadcasting organisation in the world, and employed 16,672 equivalent full time public broadcasting staff as of 2014.¹²⁶ The BBC Online service includes a broad portfolio of websites such as BBC News, Sport and Weather, children's sites,

¹²³ Alexa "Top Sites in All Categories: News" (accessed on 24 April 2016). Accessed here: <http://www.alexa.com/topsites/category/News>.

¹²⁴ The New York Times *Media Kit- Online*. Accessed here: <http://nytmmediakit.com/online>.

¹²⁵ The New York Times *Media Kit- Mobile*. Accessed here: <http://nytmmediakit.com/mobile>.

¹²⁶ BBC, "Annual Report 2013/14: How We Run the BBC" at 75. Accessed here: <http://www.bbc.co.uk/annualreport/2014/download.html>

knowledge and learning, as well as online access to radio and TV programmes.¹²⁷

- (e) **Mail Online:** The website of the *Daily Mail*, a tabloid newspaper in the United Kingdom. As of 2015 it was receiving 225 million unique monthly visitors globally¹²⁸, almost 70% of which comes from outside of the UK (as of 2014),¹²⁹ and this year it has remained the most popular English language website in the world.¹³⁰ It has a wide remit.¹³¹

Because of the mandate to cover any story anywhere, Mail Online sees its rivals as everyone from the Huffington Post to Facebook. "Competition online is anyone you could be spending time with instead of Mail Online".

- (f) **Fox News:** Fox News is a US-based basic cable and satellite news television channel, which also operates a globally successful website, attracting 65 million unique monthly visitors.¹³²
- (g) **The Guardian:** *The Guardian* is a UK-based print newspaper, and also operates one of the most visited news and information sites in the world, with over one and a half million readers per day.¹³³
- (h) **Al Jazeera English:** The online English language offering of the Qatar-based Al Jazeera network.
- (i) **CNN:** CNN is a US-based online news and information website with an estimated 95 million unique monthly visitors. It covers stories in categories such as US, Money, Entertainment, Tech, Sport, Travel, Style, Features, and Video.¹³⁴
- (j) **MSN News:** The news and information website of Microsoft. The site provides content in a range of categories, including news, entertainment, sport, money, lifestyle, wellbeing, food, travel, motoring, and video. In 2014, the MSN.com site was receiving around 120 to 130 million page views per day. After a website redesign in 2014, that figure has increased to 140 million.¹³⁵
- (k) **BuzzFeed:** As set out at 16.1(c)(ii), BuzzFeed creates entertainment content for its dedicated website, tablet and smartphone apps, and

¹²⁷ BBC "Inside the BBC: Online". Accessed at: <http://www.bbc.co.uk/aboutthebbc/insidethebbc/whatwedo/online>.

¹²⁸ Abigail Edge "Mail Online almost at 200m monthly visitors in December" (22 January 2015) journalism.co.uk. Accessed here: <https://www.journalism.co.uk/news/abc-mail-online-on-verge-of-reaching-200-million-monthly-visitors-in-december/s2/a563873/>.

¹²⁹ Mark Sweny "Mail Online to switch to .com domain name" (27 January 2014) The Guardian. Accessed here: <http://www.theguardian.com/media/2014/jan/27/mail-online-com-domain-name>.

¹³⁰ This is Money "Mail Online revenues up 27% as it maintains position as most popular English language newspaper website in the world" (29 January 2016). Accessed here: <http://www.thisismoney.co.uk/money/markets/article-3421479/Mail-Online-revenues-27-maintains-position-popular-English-language-newspaper-website-world.html>.

¹³¹ Kara Bloomgarden-Smoke "How 'Journalism Crack' Conquered the Internet" (19 March 2014) Observer. Accessed at: <http://observer.com/2014/03/mailonline/>.

¹³² eBiz "Top 15 Most popular News Websites: May 2016". Accessed here: <http://www.ebizmba.com/articles/news-websites>.

¹³³ Newsworks "the Guardian". Accessed here: <http://www.newsworks.org.uk/The-Guardian>.

¹³⁴ CNN homepage. Accessed here: <http://edition.cnn.com/>.

¹³⁵ Joseph Finney "How has Microsoft's redesign of MSN.com affected daily site traffic?" (19 November 2014) WinBeta. Accessed here: <http://www.winbeta.org/news/how-has-microsofts-redesign-msncom-affected-daily-site-traffic>.

directly for social media. It is said to have a market value of US\$1.5 billion, and 200 million monthly visitors.¹³⁶

- 14.8 As observed by TVNZ, competition in the online news/information sector is increasingly being driven by global scale players, such as the ones referred to above. As the Reuters Institute Digital News Report 2015 noted:

... the Daily Mail, the Guardian, the New York Times, the BBC, and CNN are engaged in a battle for English speaking audiences in the US, UK, Australia, and elsewhere...

... as companies pursue such global ambitions, they will need to localise content, a factor that has led the Guardian to establish newsrooms and separate editions for its US and Australian editions.

- 14.9 The reason for this dynamic has been described by *The Economist*.¹³⁷

Global news outlets are of course nothing new: the BBC, CNN and Al-Jazeera, as well as the Financial Times, the Wall Street Journal and indeed The Economist, have long aimed at a worldwide audience, and newswires like Reuters and Bloomberg have big, free online offerings. But in future, argues Ken Doctor, a media analyst at Outsell, a consultancy, there will be fewer national news outlets online. More will either look for new ways to make money from a small local audience, or try to get as big a global one as possible.

The reason is the grim economics of online news. Only a few, business-oriented newspapers are making money by charging readers for access. For most papers, what they publish is too similar to what people can get free elsewhere. Advertising, the other chief source of revenue, is worth far less per reader online than in print. So their best bet for making money is to pull in more readers for the same content.

- 14.10 For all the reasons also set out at 14.4 to 14.9 above, the Parties are each of the view that the Transaction will not result in a reduction in the quality of, or increase in price for, the editorial content created by the merged entity. Rather, the merger will create the opportunity for quality to be maintained and enhanced and for the merged entity to better compete for New Zealanders' attention with New Zealand focused local content, in the crowded environment of news/information sources available to them today.

Converged market - advertisers

- 14.11 For the reasons outlined at paragraphs 14.4 to 14.9 above, and 14.13 to 14.21 below, and in the attached NERA report, the Transaction will not give the Parties scope to increase advertising prices above competitive levels in a converged New Zealand market for the provision of print and online advertising services to advertisers. This is especially so given the significant competition from Google and Facebook, and the fact that New Zealand-focussed advertising can be placed on any website/platform that New Zealand consumers choose to view. The Parties' combined market share in this market would only just be above [], which only marginally exceeds the Commission's concentration indicator for non-concentrated markets, with the expectation that the next largest competitors, Google and Facebook, will continue to rapidly increase their share of this market - see Figure Twelve below.

¹³⁶ Mathew Ingram "The Real Secret to BuzzFeed's Success Isn't Cat GIFs, It's Data" (16 February 2016) Fortune. Accessed here: <http://fortune.com/2016/02/16/buzzfeed-data/>.

¹³⁷ The Economist "News of the world" (17 March 2012). Accessed here: <http://www.economist.com/node/21550262>.

[]

- 14.12 If the advertising market were to be expanded to include all other sources of advertising services (such as TV, radio, billboard, cinema, etc), which the Parties consider more accurately reflects the options available to advertisers, then Fairfax and NZME's advertising market shares would be just [] and [] respectively,¹³⁸ which is well within the Commission's concentration indicators.

Print advertising in regional and local papers (advertisers)

- 14.13 The Commission cleared *Fairfax / Times Media* in respect of local print advertising markets due to a combination of:

- (a) The existing competitors - including:
- (i) advertising flyers: "if community newspapers increased advertising rates, a likely commercial response would be for more emphasis to be placed on advertising flyers... in the print advertising market the suppliers of different types of advertising, like NZ Post, PMP and Deltarg, would constrain the combined entity to a degree";
 - (ii) "internet growth as a major constraint on newspapers as a whole", in particular the impact of Trade Me, Seek, and realestate.co.nz"; and

- (b) The countervailing power of advertisers:

Industry participants informed the Commission that advertisers could influence publishers by threatening to leave or actually leaving a publication. Advertising agencies also informed the Commission that they advise clients to "drop" a publication if rates rise or to reduce their expenditure.

Community newspapers are particularly sensitive to losing advertising revenue as in most instances it is crucial to the viability of the newspaper. Accordingly, the Commission considers that there is limited opportunity for community newspapers to increase advertising rates due to the threat of advertisers switching publications, medium or simply reducing advertising spend. ...

The Commission considers that advertisers have a substantial degree of countervailing power. Advertisers are able to express this through a variety of ways, but underlying these different negotiation tactics is the knowledge that a community newspaper is dependent on advertisers for all its revenue.

- (c) Similarly in *Bauer / APN* the Commission noted that:¹³⁹

Advertisers and media buyers submitted that it was straightforward to switch advertising spending between different firms and, generally, media. Such switching

¹³⁸ These market share estimates have been calculated by applying the Parties' FY2014 advertising revenue figures to the Advertising Standards Authority's CY2014 New Zealand advertising expenditure figures.

¹³⁹ New Zealand Commerce Commission, *Bauer Media Group (NZ) LP / APN Specialist Publications NZ Limited* (2014 NZCC 1) 23 January 2014 at [125] and [126].

appears, from the evidence we have gathered, to be routine, for example, in response to problems with lead times with Bauer titles, one media buyer switched to online advertising.

Advertisers and media buyers may decide to switch all or part of their budget if one medium becomes less attractive than other media (eg if the relative price of a medium increases).

- 14.14 All of these constraints will continue to apply post-Transaction. In addition, there are a number of other community newspapers in most regions. Accordingly, even if the Commission were to analyse the Transaction on this narrow basis, the Parties do not consider that the Transaction will give rise to a substantial lessening of competition - advertisers will switch to other print alternatives (such as flyers) and, in particular, will switch to other advertising platforms (such as online, TV, magazine, billboard).

National online advertising (advertisers)

- 14.15 The Transaction will not give the Parties any ability to increase online advertising prices above competitive levels. The sale of digital advertising is highly competitive. Given New Zealand consumers can access digital (mobile and online) content both from within New Zealand and from around the world (for example: facebook.com, youtube.com, espncriinfo.com, and so on), there are billions of advertising impressions available for purchase by New Zealand advertisers in any given month.¹⁴⁰
- 14.16 The Parties only represent a small proportion of digital advertising inventory available to advertisers in New Zealand. Their estimate is that, combined, they would amount to less than 15% of such sales (including sales via KPEX, (which is reported, amongst other third party sales, within the category "Agency Trading Desk"), with the biggest spend going to Google and Facebook. The Parties' websites, in March 2016, were only the fourth (stuff.co.nz) and seventh (nzherald.co.nz) most viewed websites, with the top 10 also including Trade Me, YouTube, Yahoo, and New Zealand Government¹⁴¹ (stuff.co.nz has since dropped to fifth).¹⁴²
- 14.17 Accordingly, on any measure, the Parties are confident that their combined channel share in online advertising would be well within the Commission's concentration indicators; as set out in Figures Thirteen and Fourteen below.

¹⁴⁰ In digital advertising "impression", sometimes called an "ad view", is a term that refers to an advertisement being displayed on an online or mobile website.

¹⁴¹ []

¹⁴² []

Figure Thirteen - SMI Online agency digital spend (Year to February 2016)¹⁴³

	Digital Advertising Revenue: Year to February 2016	Share of Digital Advertising Revenue
Fairfax	10,375,794	5.8%
NZME	10,778,465	6.0%
Merged Entity	21,154,259	11.7%
Google	67,356,440	37.3%
Facebook	29,502,363	16.4%
Agency Trading Desk ¹⁴⁴	13,491,347	7.5%
TVNZ	6,112,340	3.4%
Trade Me	5,712,740	3.2%
Yahoo!	4,376,763	2.4%
MediaWorks	2,552,851	1.4%
MetService	2,447,434	1.4%
Others	27,695,980	15.4%
TOTAL	180,402,517	100.0%

Source: Standard Media Index ("SMI") Financial Booking Data at Apr 4, 2016.

[]

- 14.18 Furthermore, there is an expectation that an ever-increasing proportion of the Parties' digital advertising inventory will be sold programmatically, in particular through KPEX. Programmatic sales are made through real time bidding ("RTB"), with the Parties in effect being price takers. Advertisers bid taking into account all other digital (and non-digital) advertising options, including Google, Facebook, Yahoo!, and so on.
- 14.19 It is predicted, by way of example, that:¹⁴⁵
- Programmatic spend in the UK in 2016 will account for more than 50% of the total display advertising spend. The growth of programmatic mobile advertising has been particularly notable, with eMarketer predicting that around 75% of all mobile inventory to be bought programmatically in 2016.
- 14.20 The UK is considered to be several years ahead of New Zealand in terms of its adoption of programmatic buying, and the expectation is that New Zealand will reach similar levels of programmatic buying in ~2 years. While KPEX has allowed the Parties to participate in the sale of programmatic ads directly, the low margin nature of those sales means it will not support the editorial cost base that the Parties want to maintain. The Parties must accordingly continue to invest in the infrastructure to support complex and sophisticated data-driven digital advertising products and services to increase their digital advertising yields.
- 14.21 Accordingly, the Parties could not implement a non-competitive price increase in respect of digital advertising inventory.

¹⁴³ [].

¹⁴⁴ "Agency Trading Desk" includes the Parties', and third parties', revenue from programmatic sales, such as KPEX and other programmatic platforms. []. [].

¹⁴⁵ Emma Cullen "7 Key Programmatic advertising trends for 2016" (26 January 2016) BannerFlow. Accessed here: <http://hub.bannerflow.com/h/i/198648456-7-key-programmatic-advertising-trends-for-2016>.

North Island community papers (consumers)

14.22 There are regions where both Fairfax and NZME publish community newspapers; namely Northland, Waikato, Bay of Plenty, Taranaki, Hawke's Bay, Manawatu and Wellington.

14.23 In all of those regions the Parties will continue to face competition from existing print community papers, for example:

- (a) NorthSouth Multimedia with publications in Northland, Waikato, Taranaki, and Manawatu;
- (b) Sun Media with publications in Waikato and Bay of Plenty; and
- (c) Wellington Suburban Newspapers with three print publications across Wellington.

14.24 A full list of the community newspaper publishers in these regions is set out in Figure Fifteen below.

Figure Fifteen - Existing competitors in local / regional print community newspaper / local news and information services in areas where the Parties overlap

Fairfax	NZME	Other Print Competitors
Regional - Northland		
Northern News	Whangarei Report	Kaipara Lifestyler (Kaipara District) (NorthSouth Multi Media)
Whangarei Leader	The Northland Age (Kaitaia to Hokianga)	Northern Farming Lifestyles (NorthSouth Multi Media) (Monthly)
The Bay Chronicle (Kerikeri, Bay of Islands)		
Regional - Waikato		
Hamilton Press	Hamilton News	Coast & Country News (Waikato's leading rural publication) (Waikato / BOP) (Sun Media)
Cambridge Edition	Te Awamutu Courier	The Raglan Chronicle (Raglan) (Raglan Inc Ltd)
Matamata Chronicle	Taupo & Turangi Weekender	Waikato Farming Lifestyles (NorthSouth Multi Media) [Monthly]
North Waikato News		Waitomo News (Otorohanga and Waitomo) (Beacon Media) (twice weekly) (21% owned by NZME)
Piako Post		The Post: Franklin & North Waikato (Waiuku Publishing Ltd) [weekly]
Ruapehu Press		Waikato Farming Lifestyle
South Waikato News		Waikato Weekly Chinese Newspaper
Taupo Times		Scene Matamata (Independent) (fortnightly)
		Your Cambridge News
Regional - Bay of Plenty / Coromandel		
Rotorua Review	Waihi Leader	Whakatane Beacon (Eastern Bay) (Beacon Media Group) [3 days/week] ¹⁴⁶ (21% owned by NZME)
Hauraki Herald	Rotorua Weekender	Bay Weekend (Eastern Bay) (Beacon Media Group) [Weekly] (21% owned by NZME)
	Bay News (Tauranga)	Opotiki News (Eastern Bay) (Beacon Media Group) [Twice/week] ¹⁴⁷ (21% owned by NZME)
	Katikati Advertiser	The Weekend Sun (Tauranga / BOP)

¹⁴⁶ Note that this is a community publication, but charges a nominal cover price.

¹⁴⁷ Ibid.

Fairfax	NZME	Other Print Competitors
		(Sun Media)
	Te Puke Times	Coast & Country News (BOP) (Sun Media) [monthly]
	Whakatane News	Peninsula Press (Coromandel Peninsula) (Independent)
	Coastal News (Coromandel)	The Mercury Bay Informer (Coromandel Peninsula) (Independent)
		The Peninsula Post (Coromandel Peninsula) (Independent)
Regional - Taranaki		
North Taranaki Midweek	Stratford Press	Opunake and Coastal News (New Plymouth, Hawera and around Mt Taranaki) (Independent)
South Taranaki Star		Taranaki Farming Lifestyles (NorthSouth Multimedia) (Monthly)
		Patea and Waverly Press
Regional - Hawke's Bay		
HB Country Scene	Napier Courier	Wairoa Star (Independent) [Twice/week] ¹⁴⁸ (40.41% owned by NZME)
The Napier Mail	Hastings Leader	Bay Buzz (Independent) (Bi-monthly magazine) ¹⁴⁹
The Hastings Mail	Havelock North Village Press	
	Central Hawke's Bay Mail	
Regional - Manawatu		
Central District Times	Manawatu Guardian	Ruapehu Bulletin (Ruapehu District) (Independent)
Central Districts Farmer		Manawatu Farming Lifestyles (NorthSouth Multi Media) (Monthly)
Feilding-Rangitikei Herald		
The Tribune (Palmerston North)		
Regional - Wellington		
Kapi-Mana News	Kapiti News	Independent Herald (Wellington Suburban Newspapers)
Kapiti Observer	Horowhenua Chronicle	Cook Strait News (Wellington Suburban Newspapers)
The Horowhenua Mail	Wairarapa Midweek ¹⁵⁰	Wainuiomata News (Wellington Suburban Newspapers)
The Hutt News	Bush Telegraph (Tararua)	
The Wellingtonian	Wanganui Midweek	
Upper Hutt Leader		
Wairarapa News		

14.25 A more detailed description of the specific community publications that most directly compete with one another, and the areas in which they compete, is set out at **Appendix Fifteen**.

14.26 There are also a significant number of immigrant / foreign language community newspapers published in these regions that are not reflected in the above, such as:

- (a) *Home Voice*, with a free-weekly with a circulation of 12,000 in the Wellington region, Palmerston North, Levin, Wanganui, Hastings, Napier and New Plymouth,¹⁵¹

¹⁴⁸ Ibid.

¹⁴⁹ While Bay Buzz charges a subscription/cover price, it is also distributed door-to-door in select neighbourhoods.

¹⁵⁰ []

- (b) *The New Zealand Messenger*, which has a nationwide circulation of 8,000 - 10,000;¹⁵²
- (c) *The Chinese Herald*, which has circulation in Hamilton (in addition to its target geography of Auckland);¹⁵³
- (d) *The Epoch Times*;¹⁵⁴
- (e) *The Waikato Weekly Chinese Newspaper*, which has a readership of 12,000 consumers in Waikato, Rotorua and Taupo;¹⁵⁵
- (f) *The New Zealand Chinese Press*, which has a circulation of 20,000 (80% Wellington region, 10% Palmerston North, 3% Rotorua, 2% Taupo, 3% New Plymouth, and 2% Wairarapa Region);¹⁵⁶ and
- (g) *The Chinese Times*, a weekly that has a circulation of 10,000 in Auckland, Hamilton, Wellington and Christchurch.¹⁵⁷

14.27 Even putting aside the fact that the Parties will continue to face competition from these existing competitors in every region, there will be no ability for the Parties to decrease the quality of their community papers below competitive levels, for the reasons observed by the Commission in *Fairfax / Times Media*.¹⁵⁸

... the news and information market is inextricably linked to the advertising market. As such, publishers of community newspapers have no opportunity or incentive to decrease the quality of the news/information provision or to charge for the newspaper as this would have a detrimental effect on the ability to attract advertising dollars. This conclusion is strengthened due to the fact that advertisers have a large degree of countervailing power in the advertising market and due to the fact that community newspapers are dependent on advertising revenue to remain viable.

14.28 Since 2005 this need for community newspapers to remain relevant to advertisers by delivering quality local news/information, and competitive advertising prices, has intensified significantly due to the plethora of options for local advertisers - in particular through online platforms (such as localised Google Adwords and Facebook advertising options - see 12.22 above).

14.29 In addition, as observed by the Commission in *Fairfax / Times Media*, given barriers to expansion are low, any of the existing competitors "could expand in the face of quality deterioration or advertising price increases".¹⁵⁹

¹⁵¹ EMINZ "Home Voice". Accessed here: <http://www.eminz.co.nz/ethnic-communities-in-nz/chinese-community/media-options/Newspaper-90.htm>.

¹⁵² EMINZ "New Zealand Messenger". Accessed here: <http://www.eminz.co.nz/ethnic-communities-in-nz/chinese-community/media-options/Newspaper-85.htm>.

¹⁵³ EMINZ "Chinese Herald". Accessed here: <http://www.eminz.co.nz/ethnic-communities-in-nz/chinese-community/media-options/Newspaper-1.htm>

¹⁵⁴ EMINZ "The Epoch Times NZ (Chinese)". Accessed here: <http://www.eminz.co.nz/ethnic-communities-in-nz/chinese-community/media-options/Newspaper-61.htm>.

¹⁵⁵ EMINZ "Waikato Weekly Chinese Newspaper". Accessed here: <http://www.eminz.co.nz/ethnic-communities-in-nz/chinese-community/media-options/Newspaper-121.htm>.

¹⁵⁶ EMINZ "New Zealand Chinese Press". Accessed here: <http://www.eminz.co.nz/ethnic-communities-in-nz/chinese-community/media-options/Newspaper-137.htm>.

¹⁵⁷ EMINZ "Chinese Times". Accessed here: <http://www.eminz.co.nz/ethnic-communities-in-nz/chinese-community/media-options/Newspaper-142.htm>.

¹⁵⁸ Decision No. 561. *Fairfax New Zealand Ltd / Time Media Group Ltd*. (14 October 2005).

¹⁵⁹ Decision No. 561. *Fairfax New Zealand Ltd / Time Media Group Ltd*. (14 October 2005).

- 14.30 Accordingly, the Transaction will not lead to a substantial lessening of competition in any of these local print community newspaper / local news and information services.

Paid dailies in Waikato and Hawke's Bay (consumers)

- 14.31 In most regions around New Zealand there is, already, only one paid daily newspaper - New Zealand consumers have already picked their winner in each region. This is the situation, for example, in Auckland (*The New Zealand Herald*), Northland (*The Northern Advocate*), Canterbury (*The Press*), and Otago (*Otago Daily Times*).

- 14.32 Publishers in these "one paper regions" continue to deliver quality news and information content to consumers at similar cover/subscription prices to other regions, despite not having a directly competing print publication. This demonstrates that it is not competition between directly comparable print publications that deliver competitive outcomes in these markets, but rather it is:

- (a) ***The inextricable link between the advertising and news/information markets.***¹⁶⁰ As the Commission has observed in respect of community papers, with the same being true in respect of paid dailies, publishers "have no opportunity to decrease the quality of the news/information provision or to [increase the] charge for newspaper as this would have a detrimental effect on the ability to attract advertising dollars."¹⁶¹ For example, []% of NZME's print revenue comes from advertising (not circulation), and []% of Fairfax's print revenue comes from advertising. The Parties cannot put that advertising revenue at risk by increasing cover/subscription prices, or decreasing quality, below competitive levels. Rather, they need to continue to strive to make the print publication as compelling and relevant to consumers as possible to be able to deliver the eyeballs to their advertising customers. This dynamic has intensified significantly in recent years due to the plethora of options for advertisers - in particular through online platforms.
- (b) ***The direct competition with other sources of news/information - in particular, online sources.*** The intense competition that paid daily newspapers are facing from other news/information sources, in particular online sources, is a key competitive constraint on both the quality of the Parties' print publications, and the cover/subscription price they charge. This dynamic is reflected in the increasing substitution by consumers from print news/information sources to other sources, as reflected in the Parties' declining print readership. For example, between CY2014 and CY2015 the readership of the Parties' respective paid daily metropolitan print mastheads changed as follows:¹⁶²
- (i) Auckland's *New Zealand Herald* down 10.9% compared with 2014 to 549,000 readers per average issue;
 - (ii) Wellington's *The Dominion Post* down 4.5% to 256,000;
 - (iii) Christchurch's *The Press* down 11.3% to 188,000; and

¹⁶⁰ Decision No. 561. *Fairfax New Zealand Ltd / Time Media Group Ltd.* (14 October 2005).

¹⁶¹ Decision No. 561. *Fairfax New Zealand Ltd / Time Media Group Ltd.* (14 October 2005).

¹⁶² Roy Morgan Research "Readership in New Zealand, 12 Months to December 2015". Accessed here: <http://roymorgan.com.au/industries/media/readership/readership-new-zealand>.

- (iv) the *Waikato Times* down 15.2% to 78,000.

Similarly, *Otago Daily Times* readership decreased 7.9% to 93,000. Any attempt at decreasing content quality, or increasing cover/subscription prices, will only further exacerbate these trends to the detriment of the Parties' advertising revenue.

Furthermore, both Parties have already moved to a "digital first" strategy for the creation and delivery of content. For example:

- (v) NZME's Managing Editor stated when announcing its integrated/converged news room:¹⁶³

We already think digital-first, and this will make it fully operational, allowing us to better serve rapidly growing mobile audiences. We have engaged leading international newsroom consultants in addition to gaining first-hand experience of best practice newsrooms around the world to ensure we create a newsroom that can leverage NZME's unique mix of print, digital and radio.

It's about being totally focused on our audience and delivering even better journalism and content wherever they are.

- (vi) Fairfax's Executive Editor stated when announcing changes to its newsrooms in March 2015:¹⁶⁴

Newsrooms will work with new digital-centric editorial and production practices to deliver quality content to audiences, when and how they want it.

The digital-centric newsroom approach is being driven by the growing audience demands for Fairfax's local and national content on digital platforms.

We need digital -first, socially driven newsrooms that are structured to produce quality journalism for different audiences and across platforms - and this is an exciting structure geared towards building a dynamic, responsive newsroom.

The result of both Parties' move to a "digital first" strategy is that content is created and published on their respective online platforms first, with that same content then used for the following day's print publication. The result is that the quality of the content is driven by the competition from other online news/information services, not from other print publications.

¹⁶³ New Zealand Herald "NZME creates world-class integrated newsroom" (16 September 2015). Accessed here: http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11514001.

¹⁶⁴ See:

- Fairfax Media "Writing the next chapter across Fairfax media newsrooms" (press release, 18 March 2015) Scoop. Accessed here: <http://www.scoop.co.nz/stories/BU1503/S00589/writing-the-next-chapter-across-fairfax-media-newsrooms.htm>.
- Fairfax Media "Fairfax NZ moves to create modern newsroom" (press release, 28 May 2015). Accessed here: <http://www.fairfaxmedia.co.nz/pressroom/AU---NZ-Press-Room/AU---NZ-Press-Room/fairfax-moves-to-create-modern-newsroom>.

Similarly, the subscription/cover prices the Parties can charge for their print mastheads is not driven by competition between the Parties, but rather by an assessment of consumers' willingness to pay vis-a-vis seeking to measure advertising revenues whilst recognising consumers' ability to switch to non-print alternatives.

The significant competition between print and online news/information providers has been recognised both by the Commission, and by overseas regulators such as the ACCC and the Canadian Competition Bureau - with the ACCC stating: "Developments in the internet mean that newspapers and online media directly compete"¹⁶⁵ (see paragraph 12.11(a)(i) above). As noted by the US District Court as far back as 2000:¹⁶⁶

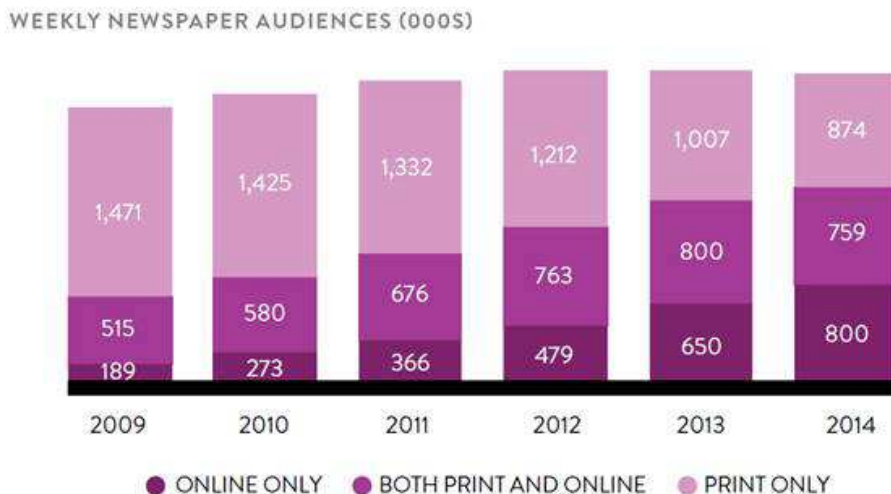
The Internet has opened a staggering array of news sources. With relative ease, a person can select from a host of suppliers of newspaper-like news, features and opinions. Most major newspapers have web sites making it possible to access a substantial part of their content on line. An Internet user can design a unique individually tailored on-line newspaper by roaming all news content servers and selecting stories and subjects of interest.

In the context of an industry where more than 60% (and growing) of the Parties' customers access news/information content online, and almost 50% (and growing) of the Parties' print customers also access news/information content online (see Figure Sixteen below), the Parties simply could not reduce the quality, or increase the price, of their print publications to uncompetitive levels without facing a significant decrease in readership (which would erode both circulation and, more importantly, print advertising revenue).

¹⁶⁵ Australian Competition and Consumer Commission "Media Mergers" (August 2006). Accessed here: <https://www.accc.gov.au/system/files/Media%20Mergers%20-%202011.pdf>.

¹⁶⁶ *Reilly v. Hearst Corp.*, 107 F. Supp. 2d 1192 (N.D. Cal. 2000). Accessed here: <http://law.justia.com/cases/federal/district-courts/FSupp2/107/1192/2511195/>.

Figure Sixteen - Source of news/information for audiences of news/information New Zealand websites/publications

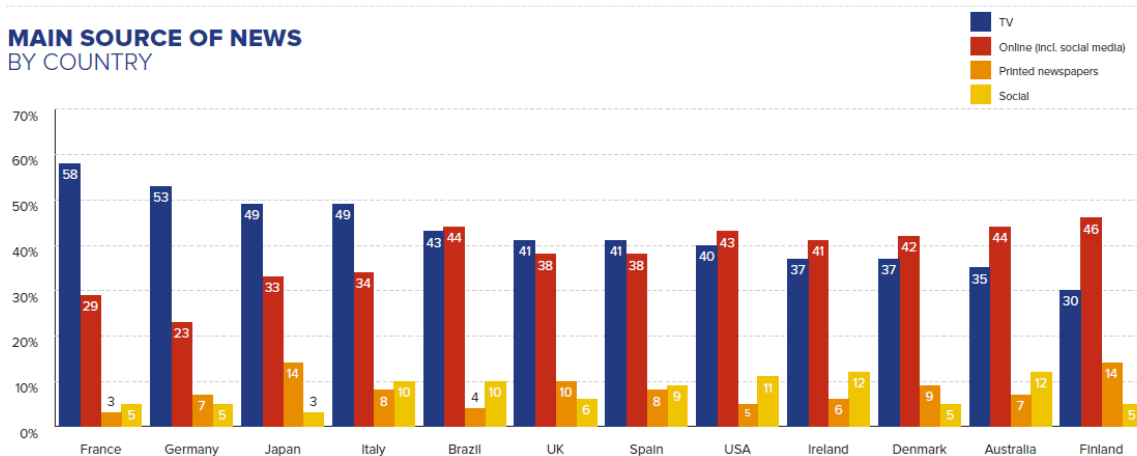


Print: Weekly reading of metropolitan newspapers (The New Zealand Herald, Dominion Press, The Press, Otago Daily Times, Waikato Times);
 Online: Weekly visits to nzherald.co.nz, stuff.co.nz, dompost.co.nz, odt.co.nz, the.press.co.nz, waikatotimes.co.nz
 Source: Nielsen Consumer and Media Insights Q1-Q4 2014
 Base: All People 10+

Source: AC Nielsen.

Indeed, globally significantly greater numbers of consumers regard online sources as their main source of news vis-a-vis printed newspapers (see Figure Seventeen below).

Figure Seventeen - Main source of news/information



Q4. You say you've used these sources of news in the last week, which would you say is your MAIN source of news? Base: All who used a source of news in the last week in each country.

Source: Reuters Institute Digital News Report 2015.

- 14.33 Accordingly, the Transaction will not lead to a substantial lessening of competition in any area where the Parties respective circulation footprints overlap.
- 14.34 Furthermore, even to the extent that the Parties overlap in each of the Waikato or Hawke's Bay regions, that overlap is largely ancillary to each of publications' targeted geographies:
- (a) The *New Zealand Herald* is an Auckland metropolitan focussed paper, with the circulation in Waikato ancillary to that target geography. This is reflected in the fact only [] of the total sales of the *New Zealand Herald* are in the Waikato region¹⁶⁷ (despite having a population that is approximately 30% of Auckland's);¹⁶⁸ and
 - (b) *The Dominion Post* is a Wellington metropolitan focussed paper, whereas *Hawke's Bay Today* is a regional daily focussed on the Hawke's Bay area. This is reflected in the significantly different readership numbers of *The Dominion Post* [] and *Hawke's Bay Today* [], which largely reflect the sizes of their respective target geographies (of 470,000 (Wellington), and 150,000 (Hawke's Bay) respectively)^{169, 170}.
- 14.35 Accordingly the Parties consider that these publications are all essentially complementary to one another.

14.36 [].

Paid Sundays in the North Island (consumers)

- 14.37 For the same reasons outlined at paragraphs 14.31 to 14.33, there will not be any substantial lessening of competition arising from the combination of NZME's *Herald on Sunday* with Fairfax's *Sunday Star Times* and *Sunday News*, given:
- (a) the inextricable link between the advertising and news/information markets; and
 - (b) the direct competition with other sources of news/information - in particular online sources.
- 14.38 The fact that the Parties' primary competitive constraint to their respective Sunday newspaper titles is not one other, but the competitive constraint from other news/information platforms and the need to remain relevant to

¹⁶⁷ []

¹⁶⁸ Auckland is estimated to have a population of 1,415,550 and Waikato 403,638. See:

- Statistics New Zealand "2013 Census QuickStats about a place: Auckland region". Accessed here: http://www.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-about-a-place.aspx?request_value=13170&tabname=.
- Statistics New Zealand "2013 Census QuickStats about a place: Waikato region". Accessed here: http://www.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-about-a-place.aspx?request_value=13631&tabname=.

¹⁶⁹ Wellington's population is ~470,000, and Hawke's Bay is ~150,000. See:

- Statistics New Zealand "2013 Census QuickStats about a place: Wellington region". Accessed here: http://www.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-about-a-place.aspx?request_value=14322&tabname=.
- Statistics New Zealand "2013 Census QuickStats about a place: Hawke's Bay region". Accessed here: http://www.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-about-a-place.aspx?request_value=14018&tabname=.

¹⁷⁰ []

advertisers, is reflected in the fact that readership has declined for all three Sunday titles in recent times:

- (a) According to Nielsen CMI, between Q2 2013 to Q1 2014 and Q1 2015 to Q4 2015:¹⁷¹
 - (i) readership of the *Herald on Sunday* fell [];
 - (ii) readership of the *Sunday Star-Times* fell []; and
 - (iii) readership of the *Sunday News* fell [].
- (b) According to Roy Morgan, between CY2014 and CY2015:¹⁷²
 - (i) readership of the *Herald on Sunday* fell [];
 - (ii) readership of the *Sunday Star-Times* fell []; and
 - (iii) readership of the *Sunday News* fell [].

14.39 New Zealand is not unique in this respect; the same trend in respect of Sunday papers is being observed overseas. For example:

- (a) in Australia, *The Sunday Age* print subscriptions declined by 8.5%, and *The Herald - Sun* subscriptions declined 12.5%, from 2014 to September 2015;¹⁷³ and
- (b) in Ireland, Sunday papers shed a combined total of nearly 8% in sales from January to June 2015.¹⁷⁴

14.40 The reason for these declines is the availability of free news/information content online, as observed by a former *New Zealand Herald* editor in respect of the declining readership of print Sunday Papers:¹⁷⁵

I asked (the dairy owner) about the Sunday papers. He said it was the same. It's not just The Herald or this market. It's the question of getting people to pay when they can get news online at all times without paying. Nothing new in that, but the pace of it is continuing to surprise.

14.41 Again the overlap between the Parties' respective Sunday papers, despite both being circulated North Island-wide, is largely complementary. The *Herald on Sunday* is primarily focussed on the northern part of the North Island (in

¹⁷¹ See: Nielsen *National Readership Survey: Newspaper Toplines* (Q2 2014- Q1-2015) Accessed here: <http://www.nielsen.com/content/dam/niensenglobal/nz/docs/newspaperandmagazinecomparatives/newspaper-toplines-q2-2014-q1-2015.pdf> and NZME "New Zealand Herald Audience Grows Across the Week" (press release, 25 February 2016) Scoop. Accessed here: <http://www.scoop.co.nz/stories/BU1602/S00851/new-zealand-herald-audience-grows-across-the-week.htm>.

¹⁷² Roy Morgan Research "Roy Morgan readership results for New Zealand Newspapers" (press release, 3 March 2016) Scoop. Accessed here: <http://www.scoop.co.nz/stories/BU1603/S00125/roy-morgan-readership-results-for-new-zealand-newspapers.htm>.

¹⁷³ Miranda Ward "ABCs: Fairfax's digital subscribers drop while print subscriptions continue downward trajectory" (13 November 2015) Mumbrella. Accessed here: <http://mumbrella.com.au/abcs-fairfaxs-digital-subscribers-drop-while-print-subscriptions-continue-downward-trajectory-330170>.

¹⁷⁴ The Journal "The sales of some Irish newspapers have gone into freefall" (21 August 2015). Accessed here: <http://www.thejournal.ie/irish-newspaper-circulation-2284855-Aug2015/>.

¹⁷⁵ Colin Peacock "Is the writing on the wall for our papers?" (21 February 2016) RNZ. Accessed here: <http://www.radionz.co.nz/national/programmes/mediawatch/audio/201789743/is-the-writing-on-the-wall-for-our-papers>.

particular Auckland), while the *Sunday Star Times* and *Sunday News* both have their strengths outside of Auckland. For example:

- (a) Almost [] of the *Herald on Sunday's* sales are in the Auckland / Northland regions;¹⁷⁶ and
- (b) Only [] of the *Sunday Star Times / Sunday News* sales are in the Auckland / Northland regions.¹⁷⁷

14.42 Accordingly the Parties consider that these publications are essentially complementary to one another. There will not be any substantial lessening of competition, either in terms of subscription/cover price or quality, arising from the Transaction.

National online news / information services (consumers)

14.43 For the same reasons outlined at paragraphs 14.4 to 14.9 above in relation to a converged news/information market, the Transaction will not give rise to a substantial lessening of competition in any narrow national market for the provision of only online news and information services. The market will remain highly competitive, and the Parties will not have any ability to increase prices, if any, above competitive levels (or a commensurate reduction in quality).

15. POTENTIAL COMPETITION

Requirements for new entry

Online

15.1 Entry into the online space is relatively easy and can be achieved quickly with minimal investment or regulatory compliance requirements. In order to provide news/information site to consumers, a potential competitor would need:

- (a) a website to host content;
- (b) journalists/content creators to create news/information content; and
- (c) computers/tablets/cameras to create content.

15.2 The number of small start-up news websites and blog sites, both globally and in New Zealand, demonstrate that these start-up costs do not present any material barrier to entry. For example, the online publishing platform WordPress aims to "democratize publishing one website at a time" by allowing users to create websites with ease, including news/information websites. WordPress claims that users can "start a blog or build a website in seconds without any technical knowledge."¹⁷⁸ The Parties understand that thespinoff.co.nz, *The Metro* website,¹⁷⁹ and many other news/information websites (including *The New York Observer*,¹⁸⁰ *The Herald Sun (Australia)*,¹⁸¹

¹⁷⁶ []

¹⁷⁷ []

¹⁷⁸ <https://wordpress.com/about/>.

¹⁷⁹ Metro Magazine homepage. Accessed here: www.metromag.co.nz.

¹⁸⁰ WordPress "Showcase: The New York Observer". Accessed here: <https://wordpress.org/showcase/the-new-york-observer/>.

¹⁸¹ WordPress "Showcase: The Herald Sun". Accessed here: <https://wordpress.org/showcase/the-herald-sun/>.

Metro UK,¹⁸² and *The San Francisco Examiner*)¹⁸³ operate on the Wordpress platform.

Print

- 15.3 While entry requirements for print publishing are higher than for online publishing, they are not prohibitive. The decline of print publishing has resulted in excess print capacity at various commercial printing presses in New Zealand (such as Guardian Print, Allied Press and NZME ([])). There are also specialist contract newspaper printers, such as Horton Media Ltd based in Auckland, which is Australasia's largest independent contract newspaper printer (with customers in New Zealand, and from overseas).¹⁸⁴ Horton Media enable small publishers, for example *Scene Matamata*, to print community newspapers without the need to incur capital expenditure acquiring their own printing press.¹⁸⁵

When I made the decision to start a community newspaper four years ago, I have to say I had no idea about the enormity of what I was about to undertake! Of course as an advertising consultant I was pretty confident about getting advertisers on board but as far as the layup, printing, distribution and all that other technical jargon – I was pretty much in the dark!

Luckily, I had heard about another privately owned newspaper and, after a bit of investigation, gave the owners a buzz and asked them where to start. The answer to this was spelled out in two words – Horton Media. As you can imagine, I was pretty excited to hear this and immediately gave the company a call. "Guddy" I said. "I'd like to start a newspaper and was wondering if you guys could help?"

Even though it was a whirlwind, with Matthew's help and the assistance of the whole Horton's team, we achieved my goal and today continue to produce a fortnightly community newspaper that is printed in full colour, vibrant, consistently sharp, clean and in perfect register from the first copy to the last.

- 15.4 Due to the availability of third party printers such as Horton Media, a potential entrant does not need to incur capital expenditure in establishing its own printing press in order to publish in New Zealand. Given this, the entry requirements for a new print publisher would include:
- (a) a commercial arrangement with a printing press to have the publication printed. Upfront costs would be low;
 - (b) access to a distribution network: as with printing, distribution can be achieved by contracts with third party specialists such as New Zealand Post, PMP, courier companies, etc;
 - (c) journalists/content creators to create news/information content; and
 - (d) software/hardware (computers/tablets) to create and edit content.
- 15.5 The number of small community newspapers in New Zealand, including ethnic/immigrant newspapers and newspapers targeted at specific small

¹⁸² WordPress "Showcase: Metro UK". Accessed here: <https://wordpress.org/showcase/metro-uk/>.

¹⁸³ WordPress "Showcase: The San Francisco Examiner". Accessed here: <https://wordpress.org/showcase/the-san-francisco-examiner/>.

¹⁸⁴ Horton Media homepage. Accessed here: <http://www.horton.co.nz/>.

¹⁸⁵ Horton Media "Testimonials". Accessed here: <http://www.horton.co.nz/?t=22>.

suburbs/regions (for example, *The Devonport Flagstaff*) demonstrate that these start-up costs do not present any material barrier to entry.

16. LIKELIHOOD, EXTENT AND TIMELINESS OF ENTRY (THE LET TEST)

Online

16.1 As set out above at paragraph 15, lower barriers to entry and a dynamic global marketplace mean that new entry into the online space is commonplace. Entry can readily occur through any one of the following means:

- (a) ***Through the entry of a completely new local online competitor.*** Online news and information platforms can be developed and operate with very little upfront cost, which means it is relatively easy for a new entrant, even for one journalist, to enter the online news/information services market. For example, as has been observed in respect of the New Zealand market:¹⁸⁶

There's still an appetite for good quality journalism and content, even with some brands in distress there are writers and journalists who people look towards because they trust them. The sharp media and business people will look for the opportunities in all of this and they're going to be the future," he says. "This is a golden age for small media companies that are really motivated, lean and have a clearly defined niche. It's a good time for the Regan Cunliffes [founder of TV blog Throng] and Interest.co.nz of New Zealand."

"Smaller, entrepreneurial media companies are looking for new ways to be sustainable. Underlying this is key sponsorships in the form of native advertising and advertorial-type content. The trend is towards tighter relationships with sponsors," he says.

That business model is working for Interest.co.nz's publisher David Chaston, who categorises his revenue into what he calls "traditional advertising" (often coming through agencies) and sponsorships sourced directly with brands.

Chaston founded Interest.co.nz in 1999 as an interest rate comparison site, but it only really took off in 2004 when it became his full-time job and a much more rounded business news website. It's a lean ship: four journalists and four analysts work out of Herne Bay in Auckland.

Similarly, in the UK it has been observed that:¹⁸⁷

At the other end of the news industry is a democratisation of how local news and issues are discovered, reported and debated. Here, lower barriers to entry mean that bloggers and citizen journalists can become a part of the news mix alongside local press, TV and radio organisations and their online offerings. Social media is

¹⁸⁶ Sim Ahmed "Does not compute: a look at news media's existential crisis" (26 August 2013) StopPress. Accessed here: <http://stoppress.co.nz/didge/does-not-compute-online-publishing-and-scramble-revenue>.

¹⁸⁷ Oliver & Ohlbaum Associates Limited "UK news provision at the crossroads: The news market in the 21st Century and the likely implications for the BBC's role" (September 2015). Accessed here: http://www.newsmediauk.org/write/MediaUploads/PDF%20Docs/OandO_NMA_-_UK_news_provision_at_the_crossroads.pdf.

playing a stronger role in enabling debate and discussion to flourish and in allowing crowd-sourcing and recommendation to become new ways to discover and generate news and information content.

Last year alone, several new online sites were launched in New Zealand, indicating the ease of entry:

- (i) In September 2015, MediaWorks partnered with editor-in-chief Rachel Glucina, former gossip columnist for *The New Zealand Herald*, to create the entertainment website *Scout*. MediaWorks describes *Scout* as "New Zealand's first dedicated online entertainment destination, producing local and international stories, breaking news, original TV series and webisodes", which "complements the existing portfolio of digital radio and TV brands to deliver large, engaged audiences for MediaWorks' clients."¹⁸⁸
- (ii) 2015 also saw the launch of *The Spinoff*, an "online magazine and custom content creator", which provides analysis, humour and cultural commentary on a range of areas, from politics to sport. It already has a monthly audience of over 150,000 users, facilitated by its acquisition of high-profile New Zealand journalistic talent, such as Alex Casey, Steve Braunias, and Toby Manhire. Content is updated daily in text, audio and video formats.¹⁸⁹ [].

As recently as 26 May 2016 it was announced that Tim Murphy, ex-chief editor of the New Zealand Herald, and Mark Jennings, ex-head of news at TV3, intend to launch a news/information website:¹⁹⁰

We'll cover sport, entertainment, and some business but we won't pretend to be the NBR or a sports site either. We think it will be a working newsroom that also calls on good people who want to contribute to it.

- (b) ***Through the expansion of a traditional overseas media businesses to make New Zealand-specific platform launches.*** This is an increasing trend globally, as observed in the Reuters Institute Digital News Report 2015 (see paragraph 14.8).
- (c) ***Through the entry and expansion into the digital-only online news, information, and entertainment industry by overseas competitors.*** For example:
 - (i) The News Media Association has observed the increasing prevalence of digital-only news/information services due to the lost cost of distribution through digital channels.¹⁹¹

Traditional news media has a relatively high fixed cost of *distribution, driven by the need to print and distribute hard-copy news or to own*

¹⁸⁸ MediaWorks "About Scout". Accessed here: <http://www.mediaworks.co.nz/scout.aspx>.

¹⁸⁹ The Spinoff "Contact". Accessed here: <http://thespinoff.co.nz/about-contact/>.

¹⁹⁰ National Business Review, "Murphy and Jennings to launch news site" (26 May 2016). Accessed here: <http://www.nbr.co.nz/article/murphy-and-jennings-launch-news-site-ca-p-189536>

¹⁹¹ Oliver & Ohlbaum Associates Limited "UK news provision at the crossroads: The news market in the 21st Century and the likely implications for the BBC's role" (September 2015). Accessed here: http://www.newsmediauk.org/write/MediaUploads/PDF%20Docs/OandO_NMA_-_UK_news_provision_at_the_crossroads.pdf.

TV or radio studios and rent broadcast infrastructure. By contrast, the internet brings down the cost of distribution for text, audio and video media and has allowed a range of new entrants to develop 'online only' news services quickly and effectively....

Led by international players such as Vice Media, Huffington Post, BuzzFeed and Vox Media these new forms of news media are exploiting opportunities to target new consumer segments and to monetise traffic across a number of separate news markets.

- (ii) BuzzFeed is an online social news and entertainment company, said to have a market value of US\$1.5 billion. Its website attracts 200 million visitors a month, and it has accumulated approximately five billion video views as of February 2016.¹⁹² Between 2013 and 2014, BuzzFeed's monthly unique audience grew by 78% in New Zealand (making it the biggest online growth brand in New Zealand).¹⁹³ Previously, BuzzFeed specialised in light, 'viral' entertainment content, including a large proportion of videos. However, in 2015, NBCUniversal made a \$200 million investment into BuzzFeed, and it was announced that it was hiring new journalists in an attempt to expand into more serious, news-based reportage.¹⁹⁴
- (iii) Vice Media publishes print magazines and websites focused on arts, culture, and news/information topics, and is described "as a platform-spanning news and entertainment group valued at more than \$2.5 billion".¹⁹⁵ Vice Media has a *Vice Australia* website, and is increasing its focus on New Zealand.¹⁹⁶

The fundamental difference is that we've dramatically expanded our local [New Zealand] editorial team. We've hired award-winning journalist Frances Morton who was the arts editor over at Metro magazine. We've also hired staff writers and we've expanded our sales team as well. We're four or five times larger than when we started.

While Vice New Zealand still doesn't have a discrete site, Bengé says the ultimate aim is to extricate the local brand from its Australian counterpart—and if the increase in content output is anything to go by, then this isn't a far-fetched ambition.

- (iv) As observed in the Reuters Institute Digital News Report 2015, this is a trend that is expected to increase:

¹⁹² Mathew Ingram "The Real Secret to BuzzFeed's Success Isn't Cat GIFs, It's Data" (16 February 2016) Fortune. Accessed here: <http://fortune.com/2016/02/16/buzzfeed-data/>.

¹⁹³ Nielsen Online Ratings – Average Monthly Unique Audience 2013 & 2014.

¹⁹⁴ The Economist "BuzzFeed gets fed" (11 August 2014). Accessed here: <http://www.economist.com/blogs/schumpeter/2014/08/digital-media>.

¹⁹⁵ Emma Bazilian "How Shane Smith Built Vice Into a \$2.5 Billion Empire" Adweek (29 September 2014). Accessed here: <http://www.adweek.com/news/press/how-shane-smith-built-vice-25-billion-empire-160379>

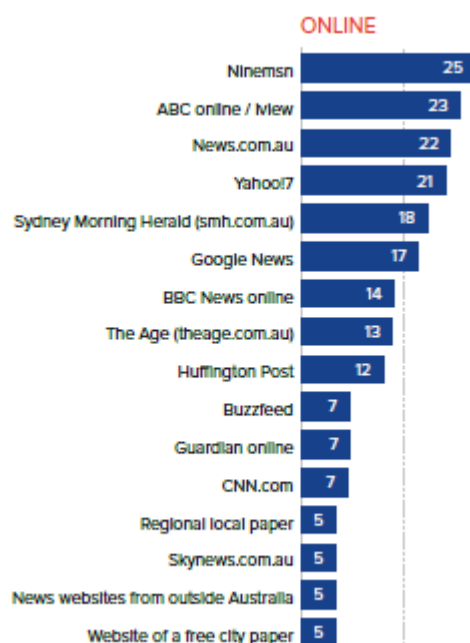
¹⁹⁶ Damien Venuto "Vice throws more weight behind Kiwi arm" Stop Press (28 April 2016). Accessed here: <http://stoppress.co.nz/features/vice-grows>

... the Huffington Post is one of the most accessed sites in the United States and now also operates in 14 countries around the world. BuzzFeed has doubled its reach in the US and UK over the last year and has established a strong foothold in a number of countries amongst the young. Vice is also making its mark with online video content that speaks to a younger generation...

In domestic online markets we see a continuation of the trend that sees new 'digital born' brands disrupting the dominance of traditional news organisations – especially in Japan, Australia, Brazil, and the US. Australia's position is mainly because of popularity of the Yahoo7 and NineMSN, while Japan's disruption relates chiefly to Yahoo Japan, which has 52% weekly reach with our sample. Brazil has a range of home-grown portals and aggregators as well as strong traditional media companies, while the disruption in the United States is the most diverse, from mature start-ups like Huffington Post (now owned by AOL) to vibrant new start-ups like NowThis and Vox.

- 16.2 The combination of these factors led to the conclusion in the Reuters Institute Digital News Report 2015 that: "We see an intensifying battle for global audiences online involving new players like the Huffington Post and BuzzFeed, expanding global newspapers like the Guardian and New York Times and old stalwarts including the BBC and CNN." This trend can be readily seen in Australia, where the following US and UK mastheads have launched digital-only free-access Australian local versions:
- (a) *The Guardian* in 2013;
 - (b) *Mail Online* in 2014;
 - (c) *Buzzfeed* in 2014; and
 - (d) *The Huffington Post* in 2015.
- 16.3 The willingness of Australian consumers to consume news/information from digital-only (ie non-traditional/print) sources is reflected by the fact that only two out of the top 10 most used news/information platforms in Australia are traditional Australia print publishers' mastheads - and even then those mastheads are only fifth and eighth.

Figure Eighteen - Top Brands % Weekly Usage Australia



Source: Reuters Institute Digital News Report 2015.

Print publishing

- 16.4 Given the strong competition print publishing faces from other channels to market, particularly online, large scale entry into publishing, say, through the launch of a new daily newspaper in New Zealand, must be regarded as unlikely. However, there are a number of competitors in market already as set out at paragraph 14 above, and it remains open to those competitors to expand their product offerings in response to market opportunities.
- 16.5 For example, Allied Press Limited is a media company with interests in daily and community newspapers, regional television stations, websites and commercial printing operations. The fact that it also offers printing services to third parties¹⁹⁷ suggests that it has excess capacity, and could begin to offer further publications itself if it considered that expansion would be profitable.
- 16.6 In addition, there are other printers, such as Horton and Guardian Print, that appear to have excess capacity.
- 16.7 To illustrate the opportunity that does and will continue to exist in targeted, lower frequency publications, the Parties have observed increasing competition from community/ethnic papers (in particular in Auckland) that are targeting immigrants to New Zealand. In Auckland, it is estimated, for example, that by 2021 27% of the population will be of Asian heritage, which is likely to increase the demand for these publications.¹⁹⁸

¹⁹⁷ Allied Press "Commercial Printing". Accessed here: <https://www.alliedpress.co.nz/printing/commercial-printing>.

¹⁹⁸ Victoria Robinson "The changing face of NZ's population" (31 January 2012) Stuff. Accessed here: <http://www.stuff.co.nz/national/6338139/The-changing-face-of-NZs-population>.

17. COUNTERVAILING POWER OF BUYERS

Advertisers

17.1 The Parties provide advertising services to customers of various sizes, and their countervailing power will therefore be variable.

17.2 In NZME's view, []. In Fairfax's view, [].

17.3 Regardless of the size of the advertiser:

- (a) All have a significant breadth of choice when it comes to the channel by which they distribute their advertising content. Television, radio, billboards, social media, and other online channels such as Trade Me, are all viable alternatives for advertisers. In *Bauer Media Group (NZ) LP / APN Specialist Publications NZ Limited*, the Commission noted (in the context of magazines):¹⁹⁹

For advertisers, magazines are one of several ways to communicate messages to consumers. Other means include television, radio, newspapers, and online media, including social media.

- (b) Switching between these different alternatives is easy. As noted by the Commission in 2014:²⁰⁰

Advertisers and media buyers submitted that it was straightforward to switch advertising spending between different firms and, generally, media. Such switching appears, from the evidence we have gathered, to be routine, for example, in response to problems with lead times with Bauer titles, one media buyer switched to online advertising.

Advertisers and media buyers may decide to switch all or part of their budget if one medium becomes less attractive than other media (eg if the relative price of a medium increases).

17.4 In addition, the prospect of bringing portions of a business' advertising spend in-house is becoming increasingly viable, as the prevalence and reach of social media provides businesses with ready-made (and free) platforms through which to disseminate in-house created marketing content. [].

Consumers

17.5 On the consumer side, the prospect of consumers switching to one of the various other competitive alternatives for the provision of news/information will continue to prevent the merged entity from being able to increase prices or decrease quality, because:

- (a) in respect of print, and as set out above, publishers need distribution scale in order to be profitable. The number of competitive alternatives to print means that revenues cannot simply be increased by increasing subscription prices; and

¹⁹⁹ New Zealand Commerce Commission, *Bauer Media Group (NZ) LP / APN Specialist Publications NZ Limited* (2014 NZCC 1) 23 January 2014 at [27].

²⁰⁰ New Zealand Commerce Commission, *Bauer Media Group (NZ) LP / APN Specialist Publications NZ Limited* (2014 NZCC 1) 23 January 2014 at [125] and [126].

- (b) as the Commission has previously identified, the two-sided nature of the market means that publishers are disincentivised from increasing prices or lowering quality when there are competitive alternatives, for fear of losing consumers, and, therefore, advertising revenue.

PART 6: OTHER FACTORS**18. OTHER FACTORS**

- 18.1 All relevant factors have been outlined above.
- 18.2 The risk of coordinated effects post-Transaction is low. Consistent with the approach taken by the High Court in *Brambles New Zealand Ltd v Commerce Commission* (2003) 10 TCLR 868 (HC), the conditions for concluding that there would be effective and sustainable coordinated behaviour as a result of the Transaction simply do not exist.
- 18.3 In particular, the cost structures of all the key competitors post-Transaction are different, the mixed global and local nature of the competitors means they have limited opportunity or incentive to coordinate, and there are no forums or industry associations in which the majority of market participants frequently interact.

19. ANNUAL REPORTS

- 19.1 Links to the most recent annual reports of the Parties are provided at **Appendix Nine**.

PART 7: PUBLIC BENEFITS AND DETRIMENTS**20. PUBLIC BENEFITS**

- 20.1 The Transaction provides the Parties with the opportunity to deliver a market-leading offering rich in local content, to engage more consumers and advertisers in the New Zealand market.
- 20.2 In particular, in order to support the investment required to continue to deliver high quality local and regional news, life and style, sport and entertainment content to New Zealanders, both companies must continue to restructure/adapt their businesses, to deliver advertising customers a more targeted, lower cost, more data rich, higher ROI, and more diversified multi-product offering. At the same time, both Parties must manage the reduction in demand for traditional format newspapers, while continuing to deliver high quality news/information commentary to consumers.
- 20.3 In the tide of changing consumer expectations and intense competition from global businesses, the Transaction allows the Parties to best manage the decline of print readership focussed locally in New Zealand, and prevent publications collapsing or consumer or advertiser confidence being undermined. Instead, the combined and rationalised offering of the Parties will create the most reliable and high quality New Zealand journalistic content that can be sustained throughout changes in the viability of various mediums.
- 20.4 The Parties view the Transaction as providing a means for them to achieve these benefits for New Zealanders. In particular, the Transaction will enable:
- (a) a robust, New Zealand domiciled and listed media company with a strong commercial interest in encouraging New Zealanders to be interested in consuming quality New Zealand-focussed news/information content;
 - (b) a sounder financial foundation to address the rapid, and long-term, structural changes affecting the industry;
 - (c) delivery of a compelling local proposition to compete with established and sophisticated social media and search platforms, through better investment in quality New Zealand content to attract New Zealand consumers, and thus advertisers, to their platform and better management of costs;
 - (d) coverage of a greater number of issues/stories by de-duplicating coverage so that journalists' time can be freed up to cover a broader spectrum of issues, for example:
 - (i) having one journalist at a particular accident scene, rather than two;
 - (ii) having journalists freed up to cover a greater number of issues, including minority interest issues;
 - (iii) having journalists freed up to cover a greater number of sports, including minority sports; and
 - (iv) being able diversify the offerings of the various platforms and publications.

Improved quality

- 20.5 Section 1A of the Commerce Act sets out that the Act's purpose is to "promote competition in markets for the long-term benefit of consumers within New Zealand".
- 20.6 In the context of two-sided markets, the Parties are incentivised to increase the number of unique views, regardless of the number or extent of competitors that they face, as they need to attract consumer attention to drive advertising revenue (given they are competing against all other online content providers and channels for that consumer attention), which therefore incentivises them to produce quality content that appeals to as many consumers as possible.
- 20.7 In this context, the Parties cannot see any commercially rational strategy for them, post-Transaction, to reduce the quality of their content - any quality reduction would only serve to harm their own revenue model.
- 20.8 Rather, the Parties are clear that the Transaction, through the delivery of long-term efficiencies, investment, and innovation outcomes, will enable them to invest in better quality journalistic content and greater breadth of coverage so that, together, they can better compete for consumers' attention (ie achieve more unique views) against global and local news/information websites, search engines, social media platforms, and all other online content providers (humour, gaming, hobbies, and so on) in a sustainable manner.
- 20.9 The Parties cannot quantify those quality benefits. However, from a qualitative perspective, they are a key driver for the Transaction and are of the nature of benefits that have been recognised by regulators and commentators overseas in considering media mergers. For example, the UK's Ofcom, in considering newspaper mergers, has previously recognised that mergers may result in increased journalistic quality and view diversity:²⁰¹
- ... efficiencies generated by the merger may lead to more journalist time being freed up. Accordingly, the number of editorial staff may not be the best measure of quality. A more refined measure takes account of the proportion of journalist time that will be spent engaged in actual newsgathering (as opposed to, for example, design and layout) and the extent to which operational efficiencies might lead to a more intensive use of journalists in frontline activity...
- Post-merger product repositioning can increase variety and create a better match of products to consumers' differing tastes...
- ... we considered that a merger may provide the opportunity to rationalise costs, maintain quality and investment, and provide a sounder commercial base from which to address long-term structural change, for example by expanding the availability of online and other digital local services.
- 20.10 In addition, Ofcom observed that combining investments in better digital editorial systems will lead to better quality outcomes for consumers:²⁰²

²⁰¹ Ofcom "Local Media Assessment on the proposed acquisition by the Kent Messenger Group of seven Kent newspaper titles from Northcliffe Media" (31 October 2011). Accessed here: <http://stakeholders.ofcom.org.uk/market-data-research/other/cross-media/local-media-assessments/cases/northcliffe-media/>. See also http://stakeholders.ofcom.org.uk/binaries/research/local-media-assessments/northcliffe_media.pdf.

²⁰² Ofcom "Local Media Assessment on the proposed acquisition by the Kent Messenger Group of seven Kent newspaper titles from Northcliffe Media" (31 October 2011). Accessed here: <http://stakeholders.ofcom.org.uk/market-data-research/other/cross-media/local-media->

KMG also said that it has plans, irrespective of whether or not the merger proceeds, to replace its editorial systems with an integrated solution, enabling more effective publishing of digital media and improved access to archive material. It said that adding content from the target titles to Kentonline.co.uk will improve further KMG's online offering.

20.11 The fact that media mergers can lead to enhanced journalistic quality and greater content diversity is recognised in a number of court proceedings, studies and literature. For example:

- (a) While the Parties will continue to face significant competition post-Transaction, the United States Court of Appeals has observed that even if a merger were to create a hypothetical monopolist it cannot be assumed that content plurality will decrease:²⁰³

A third and one might suppose the critical form of diversity is diversity in the programming itself; here "diversity" refers to the variety or heterogeneity of programs. The Commission neither distinguished among the types of diversity nor explained the interrelation among them. As it is very difficult to see how sheer number of producers or outlets could be thought a good thing--and anyway the rules seem calculated, however unwittingly, to decrease, or at least to freeze, but certainly not to increase, the number of producers--we assume that the Commission thinks of source diversity and outlet diversity as means to the end of programming diversity.

Are they? It has long been understood that monopoly in broadcasting could actually promote rather than retard programming diversity. If all the television channels in a particular market were owned by a single firm, its optimal programming strategy would be to put on a sufficiently varied menu of programs in each time slot to appeal to every substantial group of potential television viewers in the market, not just the largest group. For that would be the strategy that maximized the size of the station's audience. Suppose, as a simple example, that there were only two television broadcast frequencies (and no cable television), and that 90 percent of the viewers in the market wanted to watch comedy from 7 to 8 p.m. and 10 percent wanted to watch ballet. The monopolist would broadcast comedy over one frequency and ballet over the other, and thus gain 100 percent of the potential audience. If the frequencies were licensed to two competing firms, each firm would broadcast comedy in the 7 to 8 p.m. time slot, because its expected audience share would be 45 percent (one half of 90 percent), which is greater than 10 percent. Each prime-time slot would be filled with "popular" programming targeted on the median viewer, and minority tastes would go unserved. Some critics of television believe that this is a fair description of prime-time network television. Each network vies to put on the most popular *1055 programs and as a result minority tastes are ill served.

- (b) The US Federal Communications Commission observed that consolidation can lead to the production of more local news content,

[assessments/cases/northcliffe-media/](#). See also http://stakeholders.ofcom.org.uk/binaries/research/local-media-assessments/northcliffe_media.pdf.

²⁰³ *Schurz Communications Incorporated, et al v Federal Communications Commission* 982 F 2d 1034 (7th Cir 1992). Accessed at: <http://marshallinside.usc.edu/mweinstein/teaching/fbe552/552open/notes/schurz%20v%20fcc.pdf>

as it enables media companies to spread the high fixed cost of news-gathering across multiple businesses, as well as pool their creative resources in converged newsrooms.²⁰⁴

We continue to find evidence that cross-ownership in the largest markets can preserve the viability of newspapers without threatening diversity by allowing them to spread their operational costs across multiple platforms. In doing so, they can improve or increase the news offered by the broadcaster and the newspaper. Numerous media owners provide examples of cost savings and shared resources leading to more local coverage and better quality news coverage. Numerous parties cite to examples of the introduction of new or additional newscasts due to cross-owned combinations in markets. Cox offers examples of its local programming and community service efforts in markets where it owns same-market broadcast stations and newspapers.

(c) UK's Ofcom observed that.²⁰⁵

We note that a diversity of viewpoints can be formed *within* an organisation and *between* organisations. Both are relevant to the question of plurality.

20.12 Indeed, while in standard one-sided markets a reduction in competition is commonly associated with a increase in price or reduction in quality, it is recognised that in the two-sided world of media, restricting or regulating media consolidation cannot simply be assumed to result in lower prices, better content quality and/or content diversity. This is a key feature of the relevant literature. For example:

(a) Economics Professor Owen notes that “content diversity is an impractical policy target because it cannot be defined or measured, and because there is no analytical linkage between ownership concentration and even abstract concepts of content diversity.”²⁰⁶

(b) A US study on media diversity has been summarised as concluding that:²⁰⁷

... newspaper competition could stimulate both better and worse newspaper content, as there are differing demands from readers, advertisers, owners and sources. Sometimes the market situation stimulates competition with more local news, investigative reporting and public debate platforms, but sometimes the market situation stimulates less high-quality journalism and more infotainment, trivialization and soft formats in order to attract the biggest possible audience...

²⁰⁴ Federal Communications Commission, Report & Order on Reconsideration 07-216 10 (2008). Referred to at: Jonathan A Obar "Beyond Cynicism: A Review of the FCC's Reasoning for Modifying the Newspaper/Broadcast Cross-Ownership Rule" (2009) 14(4) Communication Law and Policy 479. Accessed here: <http://apps.fcc.gov/ecfs/document/view.jsessionid=Cp36Pj3Pkw3DQqVLFxMGI7MQ27Dg4qGPYrv7kQpSBzMG8sDbmy25!1471562840!NONE?id=7021901373>

²⁰⁵ Ofcom *Measuring Media Plurality* (19 June 2012) at 3.10 (emphasis in the original). Accessed here: <http://stakeholders.ofcom.org.uk/binaries/consultations/measuring-plurality/statement/statement.pdf>

²⁰⁶ Bruce M. Owen "Regulatory Reform: The Telecommunications Act of 1996 and the FCC Media Ownership Rules" (2003) Mich St DCL L Rev 671. Accessed here: http://siepr.stanford.edu/sites/default/files/publications/02-31_0.pdf

²⁰⁷ R Entman *Democracy without Citizens – Media and the Decay of American Politics* (Oxford, Oxford University Press, 1989). Summarised by Lars W Nord *Newspaper competition and content diversity: a comparison of regional media markets in Sweden* (2013) 26(1) *Papeles de Europa* 1. Accessed here: <https://revistas.ucm.es/index.php/PADE/article/viewFile/42800/40659>

Thus, Entman concludes that it is not the degree of newspaper competition that most directly shapes news quality, but the priorities of the publisher and the specific preferences among audiences and advertisers.

(c) A Swedish study concluded that:²⁰⁸

To sum up, there are contradictory democratic arguments for and against newspaper competition. The positive arguments focus on the effects on media diversity, quality and the public interest of internal and external pluralism. At the same time, the negative arguments emphasize the risks for a limited, or even belligerent competition, favouring mainstream positions and low-quality journalism (Meier & Trappel, 1998).

20.13 Accordingly, a link should not be drawn simply between the number of media owners in a particular country and the quality and diversity of content. This is supported by the ready availability of content from anywhere in the world over the Internet - including via social media and blogs. Issues of plurality and view diversity can no longer be restricted to simply considering a type of media, a single geographic area or even by focusing on organisations that in the past may have been considered "traditional media":²⁰⁹

The vital point is this: a meaningful assessment of media plurality must consider all news sources and, importantly, *all media*. It is not enough simply to look at one medium in isolation, since this would fail to consider the full range and variety of voices available to audiences and could therefore lead to an inaccurate assessment of the public interest. This point is underscored by the increasingly blurred boundaries between traditional media and new media. It is increasingly difficult to conduct a meaningful analysis of any one news medium, for example newspapers, without taking into account the provision of news content over the internet.

Internet news is not limited to well-known media brands but also includes a long tail of additional voices. The internet has transformed the ability of smaller media organisations, individual commentators, politicians and, indeed, institutions such as government departments, companies and charities to speak directly to relevant audiences. This can be via direct emails, blogs, websites, Twitter, Facebook, YouTube or other means – each is suited for different purposes.

Blogs are an important, and plural, source of news and contribute greatly to the genuine plurality of views available on the internet. Political bloggers and political websites have demonstrably been able to break stories that were subsequently picked up by traditional media outlets. Political bloggers such as Paul Staines (founder of the *Guido Fawkes* blog) and Matt Drudge (the *Drudge Report*) are acknowledged to have significant influence and can bring to public attention stories which are initially bypassed by mainstream media.

20.14 For example, specifically in relation to social media, the Bureau of Investigative Journalism has observed:²¹⁰

²⁰⁸ Lars W Nord *Newspaper competition and content diversity: a comparison of regional media markets in Sweden* (2013) 26(1) *Papeles de Europa* 1. Accessed here: <https://revistas.ucm.es/index.php/PADE/article/viewFile/42800/40659>

²⁰⁹ Allen & Overy "Media Plurality: Under the skin of control Concept, Context and Reform" (2012). Accessed here: http://www.allenoverly.com/SiteCollectionDocuments/Global%20Trends%20in%20Antitrust%20PDFs/Media_Plurality.PDF.

²¹⁰ "Inquiry into the future of investigative journalism - Oral and written evidence" (12 September 2011) House of Lords Select Committee on Communications. Accessed here: <http://www.parliament.uk/documents/lords-committees/communications/Investigativejournalism/IJev.pdf>.

Social media is of increasing importance for the dissemination of news, and allows people who would never normally read a particular newspaper to be aware of its journalism by recommendations by people they are connected to via social media sites.

- 20.15 The particular difficulties of attempting to quantify any plurality or effects in a converged multi-media world have been recognised by commentators in the UK:

... assessing plurality within media ('mono-media' or 'inter-media') is much more straightforward than assessing cross-media ('multi-media' or 'intra-media') plurality; the latter adds a further layer of complexity. This is largely owing to the presumably differential degrees of influence that each medium has. Thus it is especially challenging to compare across different media; there is no accepted cross-media 'exchange rate'. How can the influence of the following readily be compared: 3 minutes spent reading news on the internet vs. 15 minutes reading a newspaper vs. 5 minutes watching TV news vs. listening to 2 minutes of radio news? To get anywhere near the bottom of this would require some serious socio-psychological experiments on a sample of consumers for a week or so. Even then the results may be biased.

- 20.16 In assessing media plurality in today's converged world it has been said that:²¹¹

The effect of the internet cannot be understated: it blurs the boundaries of the traditional news media: newspapers, TV and radio; it has led to an explosion of supply of news sources; and has fundamentally changed the news provision environment for established players. There is as result a new dynamic news landscape, a need to provide new forms of news media alongside the traditional while facing increased competition - from traditional competitors, other media, and, owing to the lowered barriers to entry, other new entrants.

Taken together, online news, social media and the interaction between new and traditional media has led to a vibrant, diverse and dynamic news environment enabling the consumer easy access to literally thousands of news 'voices'. The internet (and to a lesser extent, TV), has been instrumental in changing the plurality of news, reducing the influence of established providers. Overall we conclude that media plurality has increased significantly since 2003.

- 20.17 From their own experience of the New Zealand media market, the Parties are confident that the Transaction will give rise to improvements in both the quality and diversity of content created by the merged entity. The need for the merged company to engage consumers from across the spectrum of views in an increasingly crowded digital content market, and the need to support the relevance of print in light of the combined group's investment in those assets, will ensure that will continue to be the case.

Cost savings

- 20.18 In a report enclosed as **Confidential Appendix Fourteen** PricewaterhouseCoopers has identified Transaction specific cost synergies/efficiencies with an annual run rate of []. These include achieving synergies through efficiencies in [].

- 20.19 [].

²¹¹ FTI Consulting "Ofcom: Measuring Media Plurality ('Take Two')" (September 2012). Accessed here: <http://www.fticonsulting.com/~media/Files/us-files/insights/white-papers/measuring-media-plurality.pdf>.

Summary

- 20.20 The Parties consider that the Transaction will result in substantial public benefits to New Zealand, not only in the form of the Transaction specific efficiencies, including [] sharing of best-practices and technology across the organisations, but also by:
- (a) **Enhancing advertising competition against the market leaders in New Zealand digital advertising, Google and Facebook.** The Transaction, through the achievable synergies and efficiencies, enables the Parties to reach a scale that (i) engages sufficient consumers in New Zealand-focussed platforms and content, and (ii) has access to sufficient consumer data analytics, to appeal to advertisers in a way that better offers a viable and meaningful competitive alternative to Google and Facebook for digital advertising expenditure.
 - (b) **Enhancing New Zealand-focussed journalistic and news/information quality.** The Transaction, through the achievable synergies and efficiencies, supports the investment required to continue to deliver high quality local and regional news, life and style, sport, and entertainment content to New Zealanders - in particular as news/information platforms increasingly transition to a digital-only world, which will inevitably require cost-reductions and rationalisation, and a world in which local content creators compete head-on against global news/information giants (such as CNN, *The Daily Mail*, BBC, *The New York Times*, and so on).
 - (c) **Enhancing content plurality.** The Parties strongly believe that the combined entity will be better placed to cover more stories, invest in more investigative journalism, and cover more minority issues/sports than the two Parties each could separately.
- 20.21 Beyond the specific efficiencies identified in paragraph 20.20 above, [], the Parties do not consider it possible to quantify the other benefits of the Transaction - namely, the enhanced advertising alternative for advertisers, the increase in journalistic quality, and the enhanced content plurality. However, from a qualitative perspective, the Parties are clear that those benefits are a key driver of the Transaction, and that the Transaction will enable the Parties to together deliver those benefits to New Zealand.
- 20.22 Accordingly, in addition to the Parties view that the Transaction will not result in any detriments to competition in any market, the Parties are confident there will be significant public benefits to New Zealand.

21. PUBLIC DETRIMENTS

- 21.1 The Parties are of the view there will be no material detriments arising from the Transaction.
- 21.2 On the advertiser side, the Parties compete in a converged advertising market with global and local competitors.
- 21.3 On the consumer side, subscription prices are constrained by the consequences for loss of circulation/consumer attention on advertising revenues. Quality is constrained by the numerous accessible sources of

news/information coverage, which are distributed by users of the Parties' platform based competitors.

- 21.4 The Parties have commissioned a report from NERA Economic Advisory to consider and, to the extent possible, quantify the potential detriments on a "worst case" scenario. That report is enclosed as **Appendix Thirteen**.
- 21.5 Even on that "worst-case" modelling, which involves taking a number of steps away from the competitive realities of the industry that the Parties operate in, the detriments quantified by NERA are lower, by significant orders of magnitude, than the quantifiable synergy benefits arising from the Transaction as referred to above (ie without even considering the unquantifiable qualitative benefits referred to above). Even in the unlikely event that the "worst-case" modelling is out by 100%, the quantifiable benefits would still exceed any possible detriments.

PART 8: IDENTIFICATION OF INTERESTED PARTIES**22. OTHER INTERESTED PARTIES**

22.1 A list of other interested parties is attached as **Appendix Ten**.

PART 9: CONFIDENTIALITY**23. CONFIDENTIALITY**

23.1 Confidentiality is sought in respect of the information in this application that is contained in square brackets or is described as being in a "confidential appendix", including information that is confidential as between the Parties as indicated by the colour coding.

23.2 Confidentiality is sought for the purposes of section 9(2)(b) of the Official Information Act 1982 on the grounds that:

(a) the information is commercially sensitive and valuable information which is confidential to the participants and, in some cases, to third parties with whom the participants have confidential commercial arrangements; and

(b) disclosure would be likely unreasonably to prejudice the commercial position of the participants (and in some cases the third parties with which they have confidential commercial arrangements), as the parties providing the information.

23.3 The Parties request that they be notified of any request made to the Commission under the Official Information Act 1982 for release of the confidential information. The Parties also request that the Commission seek and consider the Parties' views as to whether the information remains confidential and commercially sensitive at the time responses to such requests are being considered.

23.4 The foregoing equally applies in respect of any additional information provided to the Commission that is expressed to be confidential.

DECLARATION

THIS NOTICE is given by **Fairfax New Zealand Limited** and **Wilson & Horton Limited**, also on behalf of their respective parent companies, **Fairfax Media Limited** and **APN News & Media Limited**.

I, **Simon Tong**, have supervised the preparation of this notice seeking clearance or authorisation.

To the best of my knowledge, I confirm that:

- all information specified by the Commission has been supplied;
- if information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to that is relevant to the consideration of this notice has been supplied; and
- all information supplied by, or on behalf of, **Fairfax New Zealand Limited** and **Fairfax Media Limited** is correct as at the date of this notice.

I undertake to advise the Commission immediately of any material change in circumstances relating to the notice.

I understand that it is an offence under the Commerce Act to attempt to deceive or knowingly mislead the Commission in respect of any matter before the Commission, including in these documents.

I am a director/officer of the company and am duly authorised to submit this notice.

Dated this **27th day of May 2016**

Simon Tong, Managing Director, **Fairfax New Zealand Limited**

I, **Michael Boggs**, have supervised the preparation of this notice seeking clearance or authorisation.

To the best of my knowledge, I confirm that:

- all information specified by the Commission has been supplied;
- if information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to that is relevant to the consideration of this notice has been supplied; and
- all information supplied by, or on behalf of, Wilson & Horton Limited and APN News & Media Limited is correct as at the date of this notice.

I undertake to advise the Commission immediately of any material change in circumstances relating to the notice.

I understand that it is an offence under the Commerce Act to attempt to deceive or knowingly mislead the Commission in respect of any matter before the Commission, including in these documents.

I am a director/officer of the company and am duly authorised to submit this notice.

Dated this **27th day of May 2016**

Michael Boggs, Director, **Wilson & Horton Limited** (CEO of NZME)

APPENDIX ONE**LIST OF FAIRFAX'S PUBLICATIONS AND BRANDS****Dailies**

- The Press (Christchurch, wider Canterbury, Nelson, Marlborough, West Coast, South Canterbury and Central Otago);
- The Dominion Post (Wellington);
- Waikato Times (Waikato);
- Manawatu Standard (Manawatu, Palmerston North, Feilding, Levin, and parts of Rangitikei);
- Taranaki Daily News (Taranaki);
- The Marlborough Express (Rai Valley, the Sounds, Picton, Blenheim, Seddon, Ward, and Kaikoura);
- The Nelson Mail (Nelson, spanning Collingwood to Murchison and Rai Valley);
- The Southland Times (Southland and Central Otago);
- The Timaru Herald (Timaru, South Canterbury).

Paid Weeklies

- Sunday Star Times;
- Sunday News;
- NZ Farmer.

Websites

- www.stuff.co.nz,²¹²
- NZ Gardener (www.nzgardener.co.nz);
- NZ House and Garden (www.nzhouseandgarden.co.nz);
- NZ Life and Leisure (www.nzlifeandleisure.co.nz);
- NZ Farmer (www.nzfarmer.co.nz);
- AgTrader (Like TradeMe for agricultural equipment) (www.agtrader.co.nz);
- Neighbourly (Private neighbourhood-based social media platform) (www.neighbourly.co.nz).

²¹² Note - the Stuff network includes online versions of many of Fairfax's daily and/or community publications. For example, the online version of the Manawatu Standard is available at <http://www.stuff.co.nz/manawatu-standard>.

Magazines

- AgTrader [Monthly];
- Cuisine [Bi-monthly];
- Avenues (City guide to Christchurch) [Monthly];
- NZ Fish and Game [Quarterly];
- NZ Gardener [Monthly];
- NZ House and Garden [Monthly];
- NZ Dairy Farmer [Monthly];
- Sunday [Weekly, in Sunday Star Times];
- The TV Guide [Weekly];
- Your Weekend [Weekly, inserted into The Press, Dominion Post, Waikato Times].

Community Publications*Northland*

- Northern News;
- Whangarei Leader;
- The Bay Chronicle (Kerikeri, Bay of Islands);
-

Auckland

- Auckland City Harbour News;
- Central Leader (Central Auckland);
- East & Bays Courier (Auckland Eastern suburbs);
- Eastern Courier (Auckland Eastern suburbs);
- Franklin County News;
- Manukau Courier;
- North Harbour News;
- North Shore Times;
- Nor-west News;
- Papakura Courier;

- Rodney Times;
- Waiheke Marketplace;
- Western Leader (West Auckland);

Waikato

- Hamilton Press;
- Cambridge Edition;
- Hauraki Herald;
- Matamata Chronicle;
- North Waikato News;
- Piako Post;
- Ruapehu Press;
- South Waikato News;
- Taupo Times;

Rotorua

- Rotorua Review;

Taranaki

- North Taranaki Midweek;
- South Taranaki Star;

Hawke's Bay

- HB Country Scene;
- The Napier Mail;
- The Hastings Mail;

Manawatu

- Central District Times;
- Central Districts Farmer;
- Feilding Herald & Rangitikei Mail;
- The Tribune;

Wellington

- Kapi-Mana News;
- Kapiti Observer;
- The Horowhenua Mail;
- The Hutt News;
- The Wellingtonian;
- Upper Hutt Leader;
- Wairarapa News;

Nelson

- The Leader Group (Nelson / Tasman);
- The Nelson Leader;

Marlborough

- Discover the Top of the South;
- Experience Kaikoura;
- Kaikoura Star;
- Marlborough Midweek;
- Property Express (Marlborough);
- Saturday Express (Marlborough);

Canterbury

- Central Canterbury News;
- Central South Island Farmer South;
- Christchurch Mail;
- Mid Canterbury Herald;
- Northern Outlook;
- South Canterbury Herald;

Otago

- Clutha Leader;
- Mirror (Queenstown and Central Otago);

- Waitaki Herald;

Southland

- Newslink (Gore);
- Otago Southland Farmer;
- The Eye (Invercargill).

APPENDIX TWO**LIST OF NZME'S PUBLICATIONS AND BRANDS****Dailies**

- New Zealand Herald;
- The Northern Advocate (Northland);
- Rotorua Daily Post (Rotorua and surrounding areas, including Taupo, Tokoroa, Kawerau, Whakatane, Opotiki, and Te Puke);
- Bay of Plenty Times (Bay of Plenty);
- Hawke's Bay Today (Hawke's Bay);
- Wanganui Chronicle (Waitaki District, Wanganui);
- Wairarapa Times-Age (broader Wairarapa) [].

Paid Weeklies

- Herald on Sunday;
- Weekend Herald (Auckland).

Websites*Online versions of newspapers*

- New Zealand Herald (www.nzherald.co.nz);
- The Aucklander (www.theaucklander.co.nz);
- Hamilton News (www.hamiltonnews.co.nz);
- Stratford Press (www.stratfordpress.co.nz);
- Northern Advocate (www.northernadvocate.co.nz);
- Hawke's Bay Today (www.hawkesbaytoday.co.nz);
- Bay of Plenty Times (www.bayofplentytimes.co.nz);
- Katikati Advertiser (<http://katikatiadvertiser.communitynews.co.nz/>);
- Wanganui Chronicle (www.wanganuichronicle.co.nz);
- Northland Age (www.northlandage.co.nz);
- Rotorua Daily Post (www.rotorudailynews.co.nz);
- Wairarapa Times-Age (www.times-age.co.nz) [];

Life and style websites

- Bite (Food website) (www.bite.co.nz);
- Viva (www.viva.co.nz);

Radio station websites (which may contain news/information content)

- ZM (www.zmonline.com);
- Flava (www.flava.co.nz);
- The Hits (www.thehits.co.nz);
- Newstalk ZB (www.newstalkzb.co.nz);
- Radio Hauraki (www.hauraki.co.nz);
- Radio Sport (www.radiosport.co.nz);
- Mix (www.mixonline.co.nz);
- Hokonui (www.hokonui.co.nz);
- Coast (www.thecoast.net.nz);
- iHeartRadio (online site facilitating streaming of a range of different NZME stations, including ZM, Hauraki, Flava etc) (www.iheartradio.co.nz);²¹³

Other websites

- Watch Me (www.watchme.co.nz) (NZME's Video On Demand platform);
- Education Review (www.educationreview.co.nz);
- Nursing Review (www.nursingreview.co.nz);
- INsite (www.insitemagazine.co.nz);
- Spy (Celebrity and Entertainment news) (www.spy.co.nz);
- True Commercial (www.truecommercial.co.nz);
- Hokonui (www.hokonui.co.nz);
- Cultural Bridge (www.culturalbridge.co.nz);²¹⁴
- Dream Team (A fantasy sport website where people can play fantasy leagues in various codes) (www.dreamteam.nzherald.co.nz);
- GrabOne (www.grabone.co.nz);

²¹³ iHeart Media Inc licenses the iHeart Radio platform to Australian Radio Network that in turn sub-licences to NZME Radio.

²¹⁴ A commercial joint venture with Chen Palmer.

- Driven (an extension of the automotive lift-out of the Herald) (www.driven.co.nz);
- Shop Green (E-commerce site hosting ethical products and services, powered by GrabOne) (www.shopgreen.co.nz);
- Adhub (Digital advertising services) (www.adhub.co.nz);
- The Country (www.thecountry.co.nz);
- JETmag (www.jetmag.co.nz);
- The Alternative Commentary Collective (www.theaccnz.com).

Magazines

- Nursing Review [5 times / year, nationally];
- INsite (news about residential aged care etc) [Bi-monthly];
- JETmag (jobs, education and training for school leavers);
- Education Review;
- New Zealand Education Gazette [Bi-monthly];²¹⁵
- New Zealand Science Teacher [Annual].²¹⁶

Radio

- Newstalk ZB;
- Radio Sport;
- Radio Hauraki (Rock music);
- ZM (Entertainment and popular music);
- The Hits (Music for 'adults', ie over 30s);
- Coast (Relaxing music);
- Mix (Best of the '80s and '90s);
- Flava (Hip Hop and R&B);
- Hokonui (Local radio station for rural farming news).

Community Publications

Northland

- Whangarei Report;

²¹⁵ Contract published on behalf of the Ministry of Education.

²¹⁶ Contract published on behalf of the New Zealand Association of Science Educators.

- The Northland Age (Kaitaia to Hokianga).

Coromandel

- Coastal News;
- Waihi Leader.

Regional Waikato

- Hamilton News;
- Te Awamutu Courier;
- Taupo & Turangi Weekender.

Bay of Plenty / Rotorua

- Rotorua Weekender;
- Bay News (Tauranga);
- Katikati Advertiser;
- Te Puke Times;
- Whakatane News;
- Vibe (Regional entertainment publication for Bay of Plenty).

Taranaki

- Stratford Press.

Hawke's Bay

- Napier Courier;
- Hastings Leader;
- Havelock North Village Press;
- Central Hawke's Bay Mail.

Manawatu

- Manawatu Guardian.

Wanganui

- Wanganui Midweek.

Wellington

- Kapiti News;

- Horowhenua Chronicle;
- Wairarapa Midweek []; and
- Bush Telegraph (Tararua).

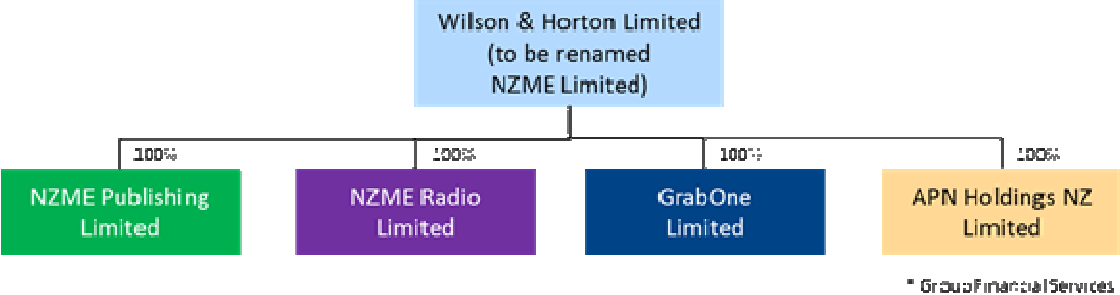
CONFIDENTIAL APPENDIX THREE

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CONFIDENTIAL APPENDIX FOUR

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APPENDIX FIVE
NZME POST-LISTING SIMPLIFIED STRUCTURE CHART



Note: APN Holdings NZ Limited will be renamed NZME Holdings Limited.

CONFIDENTIAL APPENDIX SIX

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CONFIDENTIAL APPENDIX SEVEN

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APPENDIX EIGHT

LIST OF COMPETITORS

1. EXISTING COMPETITORS

Weekly and regional print publications

- 1.1 **Advocate Communications Ltd:** Advocate Communications is a privately owned news service and advertising solutions provider with office based in Te Anau and Winton. Advocate Communications is the publisher of Southland's free weekly community newspaper, *Fiordland Advocate*, and southern New Zealand holiday guide, *Summer in the South*.²¹⁷
- 1.2 **Akaroa Mail:** *Akaroa Mail* is a free paper established in 1876 and based in Kaiapoi. It is delivered fortnightly to every household in Banks Peninsula. It has a circulation of 7,500 in winter and up to 12,000 during summer. There are a further 200 paid subscribers in other parts of New Zealand and overseas. The paper is a tabloid, six column format covering all aspects of local news.²¹⁸
- 1.3 **Allied Press Limited:** The Allied Press Limited is an Otago-owned media company that produces daily publications, community publications, online news publications, online classified sites, television, and print. The Allied Press controls newspapers in Canterbury, Westland, Otago and Southland with 16 publications.²¹⁹ Allied Press own New Zealand's longest published newspaper and employs more than 400 staff. The flagship of the group is the *Otago Daily Times*, which has one of the highest market penetration rates in New Zealand for a paid daily. Allied Press also holds an interest in the *Greymouth Evening Star*, which is an evening daily dedicated to serving the West Coast of the South island. These publications are complemented with a group of community and farming newspapers to provide local news to several lower South Island communities.²²⁰
- 1.4 **Bay Buzz:** Bay Buzz is a Hawke's Bay-based bi-monthly publication that aims to address local issues and interests while being stylish at the same time. It is available to purchase, and is also distributed door-to-door in select neighbourhoods.²²¹
- 1.5 **Beacon Media Group:** Beacon Media Group is based in Whakatane and operates four publications: *The Whakatane Beacon*, *Bay Weekend*, *Opotiki News* and *Waitomo News*. The *Beacon* is the Eastern Bay's most widely read newspaper and covers all aspects of news in the region with sport, lifestyle, events, real estate and a comprehensive classified section. It is published three times a week with an average paid circulation of 8,080 copies. The *Bay Weekend* is a free weekly publication that is distributed to 18,434 homes and

²¹⁷ The Fiordland Advocate homepage. Accessed here: www.fiordlandadvocate.co.nz.

²¹⁸ The Akaroa Mail homepage. Accessed here: www.akaroamail.co.nz.

²¹⁹ *The Otago Daily Times*, *The Oamaru Mail* (Waitaki district), *The Star* (Dunedin and surrounding area), *The News* (Central Otago), *The News* (North Canterbury), *Southern Rural Life* (Otago and Southland), *The Ashburton Courier* (Mid Canterbury), *The Timaru Courier* (Timaru and surrounding areas), *Hurunui News* (North Canterbury), *Central Rural Life* (Karamea to Haast on West Coast and Waimakariri river to Moeraki in North Otago), *Mountain Scene* (Queenstown and Wakatipu), *The Ensign* (East and North Southland and West Otago), *Southern Rural Life* (Otago and Southland), *The Greymouth Star*, *The Hokitika Guardian*, *The West Coast Messenger*, *The Southland Express* (Invercargill and wider Southland).

²²⁰ The Allied Press Limited homepage. Accessed here: www.alliedpress.co.nz/.

²²¹ The Bay Buzz homepage. Accessed here: <http://www.baybuzz.co.nz/>.

businesses throughout the Eastern Bay on Saturdays. *The Bay* focuses more on people, events and lighter news. *Opotiki News* is a tabloid run from Beacon Group's Opotiki office, and is published each Tuesday and Thursday containing news, events, lifestyle and classifieds. *Waitomo News* is a tabloid newspaper that is delivered free every Tuesday and Thursday to 7,500 homes, businesses and runs in the Northern King Country.²²² As noted above, NZME has a minority 21% share in The Beacon Printing and Publishing Company Ltd.

- 1.6 ***Blenheim Sun:*** The *Blenheim Sun* is a twice weekly independent newspaper delivered to all homes in the Marlborough region and made available online. *Blenheim Sun* has a circulation of 18,781 homes and has more than 40,000 potential readers.²²³
- 1.7 ***Local Matters 2005 Ltd:*** Local Matters 2005 Limited is locally owned and based in Warkworth. It runs two community newspapers distributed in Auckland's North; *Mahurangi Matters* and *Hibiscus Matters*. Both papers are available online. *Mahurangi Matters* is distributed from Puhoi to Waipu, at the rate of 13,000 copies twice monthly. *Hibiscus Matters* is distributed from Dairy Flat to Waiwera, at the rate of 21,400 copies twice monthly.²²⁴ Both papers cover a variety of local affairs including news, past and upcoming events, business, history, health, gardening, rural and sports news.
- 1.8 ***National Business Review:*** *The National Business Review* is an independent news organisation and New Zealand's only business newspaper. NBR was founded in 1970 and publishes a weekly print publication and online daily version. It has both print and online subscribers. In 2008, NBR built an email newsletter system that has seen the subscriber base grow significantly. In September 2015, the newspaper employed 17 journalists writing content for both print and online versions of the paper. In April 2015, the weekly print version had a circulation of 5,735 and the online site has 270,000 page impressions per week with 55,000 unique browsers accessing the site weekly. In March 2015, the online site had 3,022 individual digital-only subscribers and 350 corporate Internet protocol subscribers.²²⁵
- 1.9 ***NorthSouth Multi Media:*** NorthSouth Multi Media is a privately owned publishing company based in Dargaville. The primary focus of NorthSouth Multi Media is rural and farming lifestyle publications. It publishes *Canterbury Farming*, *Manawatu Farming Lifestyles*, *Northern Farming Lifestyles*, *Taranaki Farming Lifestyles* and *Waikato Farming Lifestyles*, each released monthly with a regional focus. Additionally, NorthSouth Multi Media publishes weekly local newspaper the *Kaipara Lifestyler* which covers the area from Wellsford to Mangawhai. Between the six publications there is a readership delivery base of 123,000 addresses.²²⁶
- 1.10 ***Opunake and Coastal News:*** *Opunake and Coastal News* is a Taranaki Community newspaper delivered to every home and business in the rural Opunake area. It covers primarily local news and is largely dedicated to local information and advertising with public notices, events information and church listings. The paper is published once a fortnight and also made available online.²²⁷

²²² Beacon Media Group homepage. Accessed here: <http://whakatanebeacon.co.nz/about-us/>.

²²³ The Blenheim Sun homepage. Accessed here: <http://blenheimsun.co.nz/>.

²²⁴ Local Matters 2005 Limited homepage. Accessed here: www.localmatters.co.nz.

²²⁵ National Business Review homepage. Accessed here: www.nbr.co.nz.

²²⁶ NorthSouth Multimedia Limited homepage. Accessed here: <http://www.nsmm.co.nz/>.

²²⁷ Opunake & Coastal News homepage. Accessed here: <http://www.opunakecoastalnews.co.nz/>.

- 1.11 **Pohutukawa Coast Times:** The *Pohutukawa Coast Times* is an independently owned weekly community newspaper based in Beachlands. The paper carries the latest news, as well as feature stories on local issues. It also offers varied forms of advertising, including classifieds and advertorials. 5,600 households and businesses on the Pohutukawa Coast and rural areas of south-east Auckland receive the newspaper each Friday. An online edition is also published each week.²²⁸
- 1.12 **Raglan Chronicle:** Raglan Chronicle publishes the free weekly community newspaper the *Raglan Chronicle*, formerly the *Raglan County Chronicle*, which was established in 1903. It is delivered to Raglan, Manu Bay, Whale Bay, Te Mata, Te Uku and Waitetuna residents with total circulation estimated at 2,000 copies a week. The paper covers local news, events, personalities, home and lifestyle, sports, and the arts scene, and is available online.²²⁹
- 1.13 **Ruapehu Bulletin:** The *Ruapehu Bulletin* is the community newspaper serving the southern Ruapehu District, which includes Raetihi, Ohakune, the National Park Village, Whakapapa Village and Waiouru. The paper was established in 1983 and has remained independently owned and run from Ohakune. It covers local stories, events and advertising aimed at visitors including accommodation offers. The *Ruapehu Bulletin* also has a mobile app allowing access to the weekly paper and providing details for local businesses and events.²³⁰
- 1.14 **Scene Matamata:** *Scene Matamata* is a community-focussed newspaper that has a circulation of 6,200 throughout Matamata, Tirau, and surrounding rural areas. It is published fortnightly on a Wednesday, and is also available online as *Scene Online*.²³¹
- 1.15 **Star Media:** Star Media is a diversified publishing and events business that produces newspapers, lifestyle publications and trading titles for Christchurch and New Zealand. Previously known as Mainland Press Limited, Star Media is a family owned and fast growing company with 100 staff working locally in the Canterbury region. Star Media publishes *The Christchurch Star* and six local community newspapers in the greater Christchurch region.²³² The combined weekly distribution is 267,107. It is delivered free throughout greater Christchurch. Star Media also publishes lifestyle magazines *Kiwi Gardener*, *Style*, *Forward 50*, *Home & Leisure*, *With This Ring* and several geographically and demographically targeted publications.²³³ Star Media also runs digital channel *Star Live*.
- 1.16 **Sun Media:** Sun Media is a Tauranga-based publishing company which publishes a number of newspapers and magazines. Its daily news source publication *Sun Live* covers Bay of Plenty and national news as well as sport and lifestyle. *Sun Live* has a well established website with the news published every day and additional blogs and opinion articles. Sun Media also publishes *The Weekend Sun* which has 60,000 copies produced weekly. Additionally, Sun Media publishes *New Farm Dairies*, an annual publication showcasing the latest in dairy development; *Coast & Country*, the Bay and Waikato's leading rural publication (published monthly); *Waterline Magazine*, a boating, fishing

²²⁸ Pohutukawa Coast Times homepage. Accessed here: <http://www.pctimes.co.nz/>.

²²⁹ Raglan information homepage. Accessed here: <http://www.pctimes.co.nz/>.

²³⁰ Ohakune information homepage. Accessed here: www.ohakune.info/ruapehu-bulletin-1.html.

²³¹ Scene Online homepage. Accessed here: <http://www.sceneonline.co.nz/>.

²³² *Selwyn Times*, *NorWest News*, *Western News*, *Pegasus Post*, *Southern View* and *Bay Harbour News*.

²³³ Publications include *Merivale & City Centre*, *Fashion*, *Rugby News*, *Community Resources*, *Buy Sell & Exchange* and *Best Motor Buys*.

and water sports publication (monthly); and *Bay Driver*, a motoring news publication.²³⁴

- 1.17 ***The Ashburton Guardian:*** *The Ashburton Guardian* is a daily newspaper that was founded in 1879. It is independently owned and is published in Ashburton. The paper covers all local and national news including sport, schools, opinion, and farming sections. It has a readership of approximately 17,000 and a circulation of 5,554. *The Ashburton Guardian* is also available online.²³⁵
- 1.18 ***The Devonport Flagstaff:*** *The Devonport Flagstaff* is an independently owned and operated free community newspaper. It is published fortnightly, and delivered to 10,000 homes and businesses in the Devonport area in Auckland. *The Devonport Flagstaff* also produces an online version.²³⁶
- 1.19 ***The Geraldine News:*** *The Geraldine News* was established in 1992 and is a free community newspaper. It is published every Thursday in hard copy and online. The paper focuses on news from the community and advertises local businesses and events. *The Geraldine News* has a circulation of 3900 in the Geraldine region.²³⁷
- 1.20 ***The Gisborne Herald:*** *The Gisborne Herald* was established in 1874 and is published six days a week. It also has a website that is updated daily.²³⁸
- 1.21 ***The Golden Bay Weekly:*** *The Golden Bay Weekly* is a local paper established in 1992 and published every Friday. It has a circulation of 2,900 copies in the Golden Bay region. The paper covers stories of local people as well as advertising local businesses and providing information on upcoming events. *The Golden Bay Weekly* is published weekly online.²³⁹
- 1.22 ***The Mercury Bay Informer:*** *The Mercury Bay Informer* is a Whitianga-based print and online community newspaper, publishing the latest news and events for the Coromandel Peninsula. *The Mercury Bay Informer* provides a wide range of news/information including community news, sports results, human interest stories, regular columns from a variety of local community groups, useful tourist information and upcoming events. Circulation of *The Mercury Bay Informer* is 5,500 copies per week. *The Mercury Bay Informer* also produces three seasonal guides, the *Easter Guide* with circulation of 6,000 copies, the *Scallop Festival Guide* with circulation of 6,000 copies and the *Summer Guide*, circulation of 10,000 copies.²⁴⁰
- 1.23 ***The Record:*** *The Record* is based in Selwyn, Christchurch and is a locally produced district-wide community paper. It is published weekly and distributed to over 17,000 households in the Selwyn district. The paper covers local news and features on farming, sport, gardening, cuisine and motoring. In 2014, *The Record* won the New Zealand Community Newspapers Award for Most Improved Newspaper.²⁴¹
- 1.24 ***Times Newspapers:*** *Times Newspapers* is based in Auckland and publishes the weekly papers *Botany and Ormiston Times* and *Howick and Pakuranga Times*. The papers are delivered for free, and provide local news for East

²³⁴ Sun Media homepage. Accessed here: <http://www.sunlive.co.nz/>.

²³⁵ The Ashburton Guardian homepage. Accessed here: <http://www.guardianonline.co.nz/>.

²³⁶ The Devonport Flagstaff homepage. Accessed here: www.devonportflagstaff.co.nz/.

²³⁷ The Geraldine News homepage. Accessed here: <http://www.geraldineneews.co.nz/>.

²³⁸ The Gisborne Herald homepage. Accessed here: <http://www.gisborneherald.co.nz/>.

²³⁹ The Golden Bay Weekly homepage. Accessed here: <http://www.gbweekly.co.nz/>.

²⁴⁰ The Mercury Informer homepage. Accessed here: <http://www.theinformer.co.nz/>.

²⁴¹ The Record homepage. Accessed here: <http://therecordonline.co.nz/>.

Auckland, Howick, Pakuranga, Botany and Ormiston. Each paper is published weekly and made available online. In December 2015 the combined circulation for the papers was 33,000.²⁴² Times Newspapers also publishes lifestyle magazine *Rural Living*. It also owns *Business to Business Auckland*, an online business publication dedicated to small to medium business enterprises in New Zealand. Fairfax owns 50% of Times Newspapers.²⁴³

- 1.25 ***Waiheke Gulf News:*** The *Waiheke Gulf News* is a locally owned and operated weekly newspaper that has been published and distributed on Waiheke for more than 40 years. *Waiheke Gulf News* has a well established community following and advertiser base for real estate and local services. The publication has been recognised as Auckland's best community newspaper and the Best All-Round Newspaper in its class at the Independent Community Newspaper awards. An online version of the paper is published weekly. *The Waiheke Weekender* is also published by Waiheke Gulf News. This is a free lifestyle, property and events guide that has been running for 34 years.²⁴⁴
- 1.26 ***Waiuku Publishing Ltd:*** Waiuku Publishing Ltd publishes *The Post*, an independent newspaper delivered free every Tuesday to 22,200 homes and businesses in the North Waikato, and also in the Franklin area of Auckland. *The Post* also has 40 pick-up points within its 50,000-strong readership region. *The Post* covers local news. The publication is also available online.²⁴⁵
- 1.27 ***Wairoa Star:*** The *Wairoa Star* is a community newspaper that offers local news and interviews. It is a paid for publication that is published twice weekly. The paper has an online edition with additional content and advertising. The *Wairoa Star* has been running for over 90 years and has an estimated circulation of 5,000. As noted above, NZME has a 40.41% share in The Wairoa Star Ltd.²⁴⁶
- 1.28 ***Wellington Suburban Newspapers:*** Wellington Suburban Newspapers is a Wellington-based publisher of newspapers, directories and holiday guides. Its main publications include *Cook Strait News*, a weekly newspaper that serves Wellington South; *Wainuiomata News*, a weekly newspaper serving the Wainuiomata region; and the *Independent Herald*, a weekly newspaper serving Wellington North. Each newspaper provides local and national stories as well as advertising and information specific to its region. Wellington Suburban Newspapers also publishes *Citylife*, *Lifestyles*, *Porirua City News* and *Western News*.²⁴⁷
- 1.29 **Immigrant/foreign language community newspapers:** As set out above, there are a significant number of immigrant/foreign language community newspapers published around New Zealand, such as *Home Voice*,²⁴⁸ the *New Zealand Messenger*,²⁴⁹ *The Chinese Herald*,²⁵⁰ *The Epoch Times*,²⁵¹ *The*

²⁴² The New Zealand Audit Bureau of Circulation "Press audit results". Accessed here: http://newspaper.abc.org.nz/audit.html?mode=embargo&npa_admin=1&org=npa&publicationtype=20&publicationid=268&memberid=464&type=5.

²⁴³ Times Newspaper homepage. Accessed here: <http://www.times.co.nz/>.

²⁴⁴ Waiheke Gulf News homepage. Accessed here: <http://www.waihekegulfnews.co.nz/archive/>.

²⁴⁵ The Post homepage. Accessed here: <http://thepostnewspaper.co.nz/>.

²⁴⁶ The Wairoa Star homepage. Accessed here: <http://www.wairoastar.co.nz/>.

²⁴⁷ Wellington Suburban Newspapers Limited homepage. Accessed here: <http://www.wsn.co.nz/>.

²⁴⁸ Home Voice homepage. Accessed here: <http://homevoice.co.nz/>.

²⁴⁹ The New Zealand Messenger homepage. Accessed here: <http://nzmessengers.co.nz/welcome/>.

²⁵⁰ The Chinese Herald homepage. Accessed here: <http://www.chnet.co.nz/Html/2016-5-10/Paper.Html>.

²⁵¹ The Epoch Times homepage. Accessed here: <http://www.theepochtimes.com/>.

Waikato Weekly Chinese Newspaper,²⁵² *the New Zealand Chinese Press*,²⁵³ and the *Chinese Times*.²⁵⁴

Magazines

- 1.30 **Bauer:** Bauer Media Group is New Zealand's largest magazine publisher. Bauer publishes diverse magazine titles across a wide range of categories. These include the most-read weekly newsstand magazine *Woman's Day NZ*, *New Zealand Woman's Weekly*, and the highest-selling women's monthly title, *The Australian Women's Weekly NZ*. Bauer Media also delivers a number of premium titles and audiences through its investigative and lifestyle journalism titles such as *The Listener*, *Metro* and *North & South*.²⁵⁵ Bauer Media publishes the country's leading real-estate guide the *Property Press*. Bauer Trader Media, the transport and motoring division of Bauer Media, publishes some of New Zealand's leading industry-specific magazines.²⁵⁶
- 1.31 **Hope Publishing Ltd:** Hope Publishing Ltd owns *World* magazine and *The Cut*. *World* magazine is a luxury lifestyle publication with content on luxurious lifestyle items, primarily cars. *The Cut* is a bi-monthly golfing title that focuses on golf features, news and columns dedicated to majors and players.²⁵⁷
- 1.32 **Investigate:** Ian Wishart is an investigative journalist, author, news director, TV reporter and editor of *Investigate* magazine. In 1995 Wishart established his own publishing company, Howling At The Moon. A subsidiary company was established in 1999 to publish the monthly *Investigate* magazine which addresses current affairs issues. It has drawn mainstream attention for a number of articles. *Investigate* has an online version called *Investigate Online*, which publishes a selection of the reports. Wishart has also published a number of books, 15 of which were published by Howling At The Moon.²⁵⁸
- 1.33 **Lifestyle Magazine Group:** The Lifestyle Magazine Group is an independent, New Zealand-owned publisher of premium lifestyle content. It publishes *NZ Life & Leisure* and *NZ Lifestyle Block* as well as special editions the *Insider's Guide to New Zealand* and *In Your Backyard*. *NZ Lifestyle Block* is released monthly with a readership of 75,000 and circulation of 10,024. *NZ Life & Leisure* has paid circulation of 33,780. Both titles grew by paid circulation in 2015.²⁵⁹
- 1.34 **Manaia Media Ltd:** Manaia Media is based in Waikato and publishes *NZ Horse & Pony* and *PONIES!* magazines. *Horse & Pony* covers equestrian news, shares stories of horse people, and provides information on property, event information, and results. *PONIES!* Magazine provides similar content to *NZ Horse & Pony* but is targeted at children, with information and activities on ponies.²⁶⁰

²⁵² Ethnic Media Information site. Accessed here: <http://www.eminz.co.nz/ethnic-communities-in-nz/chinese-community/media-options/Newspaper-121.htm>.

²⁵³ The New Zealand Chinese Press homepage. Accessed here: <http://www.chineseexpress.co.nz/>.

²⁵⁴ Asian Media New Zealand homepage. Accessed here: <http://www.asiaworks.co.nz/media.html>.

²⁵⁵ *NEXT*, *North and South*, *Fashion Quarterly*, *Simply You Style and Living*, *Metro*, *Home NZ*, *Your Home & Garden* and *Kia Ora*.

²⁵⁶ Publications include *Deals On Wheels*, *Motorhomes Caravans and Destinations*, *Australasian Transport News*, *Supply Chain Review*, and *Farms and Farm Machinery*.

²⁵⁷ "Fairfax's quest for scale sees six of its magazines sold off" StopPress article. Accessed here: <http://stoppress.co.nz/news/fairfaxs-quest-scale-sees-six-its-magazines-sold>.

²⁵⁸ Investigate Daily homepage. Accessed here: <http://www.investigatemagazine.co.nz/Investigate/>.

²⁵⁹ Lifestyle Magazine Group homepage. Accessed here: <http://lifestylemagazinegroup.co.nz/>.

²⁶⁰ NZ Horse and Pony About Us. Accessed here: <http://horseandponymag.com/about-us/>.

- 1.35 **Pacific Magazines Group Australia:** Pacific Magazines Group is a magazine publisher in Australia and New Zealand. It publishes more than one in four magazines sold in Australia.²⁶¹ In New Zealand, Pacific Magazines produce *New Idea*, *Girlfriend* and *That's Life!*
- 1.36 **Tangible Media:** Tangible Media is part of Image Centre Group, a communications business with over 150 staff. Its capacity runs across content creation, publishing, digital media, print, outdoor, video production, retail, agency, and digital signage. Tangible Media's magazines include *Dish*, *Good*, *Habitat*, *NZ Rugby World*, *NZ Fishing World*, *Idealog*, *NZ Marketing*, *New Zealand Weddings*, and *NZ Retail*, along with their respective digital presences.²⁶² As noted above at paragraph 14.5(n), Tangible Media also operates stoppress.co.nz, a daily news/information service.

Online and Digital Publications

- 1.37 **Al Jazeera English:** Al Jazeera English is the online English language offering of the Qatar-based Al Jazeera network.²⁶³
- 1.38 **Apple News:** Apple News was released by Apple in 2015 to the United States. It has since been made available to the United Kingdom and Australia, and Apple has plans to further upgrade the software to allow content from more publishers to be used by the application.²⁶⁴ Apple News provides users with a constantly updated, personalised form of content. It collects stories from top news sources based on the topics the user is most interested in, and thereby eliminates the need to move through different news sources or different phone applications. Readers can easily share articles with others and save them to read offline.
- 1.39 **BBC Online:** BBC Online is the online offering from the British Broadcasting Corporation, the British public service broadcaster. It is the oldest national broadcasting organisation in the world, and employed 16,672 equivalent full time public broadcasting staff as of 2014.²⁶⁵ The BBC Online service includes a broad portfolio of websites such as BBC News, Sport and Weather, children's sites, knowledge and learning, as well as online access to radio and TV programmes.²⁶⁶
- 1.40 **Blogs:** Blogs provide New Zealand journalists the ability to bypass any form of media organisation, and deliver their content direct to consumers. For example:
- (a) Tim Watkin's *Pundit*,²⁶⁷
 - (b) David Farrar's *Kiwiblog*,²⁶⁸
 - (c) Martyn Bradbury's *The Daily Blog*,²⁶⁹

²⁶¹ Other titles include *Your Garden*, *Women's Health*, *Total Girl*, *Prevention*, *Practical Parenting*, *Marie Claire*, *Home Beautiful*, *Famous* and *Bride To Be*.

²⁶² Tangible Media homepage. Accessed here: <http://www.tangiblemedia.co.nz/>.

²⁶³ Al Jazeera English homepage. Accessed here: <http://www.aljazeera.com/>.

²⁶⁴ United States Securities and Exchange Commission Form 10-K Apple Inc. Accessed here: http://files.shareholder.com/downloads/AAPL/1943501017x0x861262/2601797E-6590-4CAA-86C9-962348440FFC/2015_Form_10-K_As-filed.pdf.

²⁶⁵ BBC "Annual Report 2013/14: How We Run the BBC" at 75.

²⁶⁶ BBC "Inside the BBC: Online". Accessed here: <http://www.bbc.co.uk/aboutthebbc/insidethebbc/whatwedo/online>.

²⁶⁷ Pundit homepage. Accessed here: <http://pundit.co.nz>.

²⁶⁸ Kiwiblog homepage. Accessed here: <http://www.kiwiblog.co.nz/>.

²⁶⁹ The Daily Blog homepage. Accessed here: <http://thedailyblog.co.nz/>.

- (d) Russell Brown's *Hard News*;²⁷⁰
 - (e) Cameron Slater's *Whale Oil*;²⁷¹
 - (f) *The Standard*;²⁷²
 - (g) *The Dim-Post*;²⁷³
 - (h) Chris Trotter's *Bowalley Road*;²⁷⁴ and
 - (i) AUT's Briefing Papers- a website that hosts a series of papers which focus on assessing the state of the country as the basis for public discussion and debate.
- 1.41 **Bloomberg:** Bloomberg is a financial software, data and media company that operates a highly successful digital, mobile, print, TV, and radio brand with a focus on world business news/information. Bloomberg's website attracts 27.1 million unique monthly desktop visitors, and a further 18.8 million users access its website via mobile web searching or the Bloomberg app.²⁷⁵
- 1.42 **BusinessDesk:** BusinessDesk is a New Zealand website owned by Content Ltd. BusinessDesk was formed in 2008 and supplies news and commentary to New Zealand media outlets such as *National Business Review*, NZME and Yahoo!NZ. It gains further reach by supplying New Zealand business and economic news to the Australian Associated Press. The wholesale business news product, BusinessDesk, is published every day that the New Zealand financial markets are trading and covers all material business and economic news, including full coverage of NZX listed equities.²⁷⁶
- 1.43 **Buzzfeed:** BuzzFeed is an online social news and entertainment company. Its website attracts 200 million visitors a month, and it had accumulated approximately five billion video views as of February 2016.²⁷⁷ Between 2013 and 2014, BuzzFeed's monthly unique audience grew by 78% in New Zealand (making it the biggest online growth brand in New Zealand).²⁷⁸ Traditionally, BuzzFeed has specialised in light, 'viral' entertainment content, including a large proportion of videos. In 2015, NBCUniversal made a \$200 million investment into BuzzFeed, and it was announced that it was hiring new journalists in an attempt to expand into more serious, news-based reportage.²⁷⁹
- 1.44 **CNN:** CNN is a US-based online news and information website with an estimated 95 million unique monthly visitors. It covers stories in categories such as US, Money, Entertainment, Tech, Sport, Travel, Style, Features, and Video.²⁸⁰

²⁷⁰ Public address blog community, Hard News page. Accessed here: <http://publicaddress.net/system/cafe/hard-news-dirty-politics/>.

²⁷¹ Whale Oil homepage. Accessed here: <http://www.whaleoil.co.nz/>.

²⁷² The Standard homepage. Accessed here: <http://thestandard.org.nz/>.

²⁷³ The Dim-Post homepage. Accessed here: <https://dimpost.wordpress.com/>.

²⁷⁴ Bowalley Road homepage. Accessed here: <http://bowalleyroad.blogspot.co.nz/>.

²⁷⁵ Bloomberg Media "About". Accessed here: <http://www.bloombergmedia.com/about>.

²⁷⁶ BusinessDesk homepage. Accessed here: <http://businessdesk.co.nz/>.

²⁷⁷ Mathew Ingram "The Real Secret to BuzzFeed's Success Isn't Cat GIFs, It's Data" (16 February 2016) Fortune. Accessed here: <http://fortune.com/2016/02/16/buzzfeed-data/>.

²⁷⁸ Nielsen Online Ratings – Average Monthly Unique Audience 2013 & 2014.

²⁷⁹ The Economist "BuzzFeed gets fed" (11 August 2014). Accessed here: <http://www.economist.com/blogs/schumpeter/2014/08/digital-media>.

²⁸⁰ CNN Homepage. Accessed here: <http://edition.cnn.com/>.

- 1.45 **Craigslist:** Craigslist is a classified advertisements website, which receives around 50 billion page views per month.²⁸¹
- 1.46 **Ebay:** Ebay is an online trading platform, with 162 million active buyers, 900 million live listings, and 314 million app downloads as at May 2016.²⁸² It had US\$9 billion in revenue in 2015.²⁸³
- 1.47 **Google:** As of 2 February 2016, Google²⁸⁴ was the world's most valuable public company, with a market cap of US\$547.1 billion. As of 2014, 89 percent of Google's revenue is derived from advertising (including display ads and mobile ads).²⁸⁵ In 2015, Google earned one third of all digital advertising revenue globally, equating to US\$67.39 billion.²⁸⁶
- 1.48 **Hive News:** Based in Wellington, HiveNews.co.nz is an online news service. It has a political focus and reports on government and business from around the Beehive. HiveNews.co.nz is owned and run by publisher Bernard Hickey and employs a further reporter and sub-editor. The news service publishes news, analysis, commentary, and information throughout the day for its subscribers, as well as sending emails and news alerts.²⁸⁷
- 1.49 **Facebook:** Facebook is the world's largest social network site, with over 1.59 billion monthly active users and a 14% rate of increase year over year. Facebook is a feature-rich and widely used platform that allows people to share all online information, articles and sources. As at December 2015, 1.04 billion people log onto Facebook daily which represents a 17% increase year over year.²⁸⁸ Every day there are 4.75 billion pieces of content shared on Facebook. As noted above, Facebook is having a significant impact upon the way consumers experience news/information, including through its Instant Articles innovation (see above at 6.30(a)). Facebook also owns WhatsApp (an instant messaging app that allows users to send text messages, documents, images, video, user location and audio media messages via the Internet to each other's smartphones), and Instagram (an online photo sharing social networking service).
- 1.50 **Fox News:** Fox News is a US-based basic cable and satellite news television channel, which also operates a globally successful website that attracts 65 million unique monthly visitors.²⁸⁹
- 1.51 **Interest.co.nz:** Interest.co.nz is a business focussed news/information website operated by JDJL Ltd. It has ~200,000 unique visitors per month.²⁹⁰

²⁸¹ Craigslist "Craig Newmark". Accessed here: https://www.craigslist.org/about/craig_newmark.

²⁸² eBay "company Information". Accessed here: <https://www.ebayinc.com/our-company/who-we-are/>.

²⁸³ Leena Rao "For eBay, a new chapter begins" (19 July 2015) Fortune. Accessed here: <http://fortune.com/2015/07/19/ebay-independence/>.

²⁸⁴ Google is now known as Alphabet, following a corporate restructure.

²⁸⁵ Erin Griffith "Bad news for Google parent Alphabet: The 'G' will still foot the bill" (10 August 2015) Fortune. Accessed at: <http://fortune.com/2015/08/10/google-ads-money/>.

²⁸⁵ Kris Carlon "Google makes one third of all global online ad revenue, but there's trouble ahead" (18 March 2016) Android Authority. Accessed here: <http://www.androidauthority.com/google-makes-one-third-global-online-ad-revenue-680883/>.

²⁸⁶ Kris Carlon "Google makes one third of all global online ad revenue, but there's trouble ahead" (18 March 2016) Android Authority. Accessed here: <http://www.androidauthority.com/google-makes-one-third-global-online-ad-revenue-680883/>.

²⁸⁷ Hive News homepage. Accessed here: <http://www.hivenews.co.nz/>.

²⁸⁸ Craig Smith "By the Numbers: 200+ Amazing Facebook Statistics" (30 April 2016) DMR. Accessed here: <http://expandedramblings.com/index.php/by-the-numbers-17-amazing-facebook-stats/>.

²⁸⁹ eBiz "Top 15 Most Popular News Websites: may 2016". Accessed here: <http://www.ebizmba.com/articles/news-websites>.

²⁹⁰ interest.co.nz "Advertise". Accessed here: <http://www.interest.co.nz/advertise>.

- 1.52 **Investigate Daily:** Investigate Daily is Ian Wishart's online news site, described as "where news breaks first".²⁹¹
- 1.53 **Mail Online:** Mail Online is the website of the *Daily Mail*, a tabloid newspaper in the United Kingdom. As of 2015 Mail Online was receiving 225 million unique monthly visitors globally,²⁹² almost 70% of which comes from outside of the UK (as of 2014),²⁹³ and this year it has remained the most popular English language website in the world.²⁹⁴ It has a wide remit.²⁹⁵
- Because of the mandate to cover any story anywhere, Mail Online sees its rivals as everyone from the Huffington Post to Facebook. "Competition online is anyone you could be spending time with instead of Mail Online".
- 1.54 **MediaWorks:** Media Works is New Zealand's largest independent broadcaster, reaching 96% of New Zealanders across radio, television, digital and live platforms. In the news/information category MediaWorks has: *Newshub*, a TV, radio and digital news service providing the latest news and news bulletins; *Story*, a daily current affairs show; *Paul Henry*, a breakfast show with national and international news; and *Radio Live*, a New Zealand live broadcasting talk and news radio station. In September 2015 Media Works launched the gossip website *Scout*. In the entertainment category Media Works has a group of further brands providing radio shows and entertaining televisions.²⁹⁶
- 1.55 **Microsoft Bing:** Bing is a web search engine owned and operated by Microsoft. Bing News is a search engine and aggregator specifically for news articles through a variety of trusted and credible news sources, including *New York Times*, *Washington Post*, *MSNBC* and *Reuters*. News headlines from sources are aggregated and categorised into sections for users to browse, which include top stories and category-specific articles such as business, politics or entertainment.²⁹⁷
- 1.56 **MSN News:** MSN News is the news and information website of Microsoft. The site provides content in a range of categories, including news, entertainment, sport, money, lifestyle, wellbeing, food, travel, motoring, and video. In 2014, the MSN.com site was receiving around 120 to 130 million page views per day. After a website redesign in 2014, that figure has increased to 140 million.²⁹⁸
- 1.57 **Pinterest:** Pinterest is a web and mobile photo sharing application which allows businesses to create pages aimed at promoting their companies online. Pinterest is becoming an increasingly large part of corporate digital marketing strategies. It forecast \$169 million in revenue for 2015 and \$2.8 billion in

²⁹¹ Investigate Daily homepage. Accessed here: <http://www.investigatemagazine.co.nz/Investigate/>.

²⁹² Abigail Edge "Mail Online almost at 200m monthly visitors in December" (22 January 2015) journalism.co.uk. Accessed here: <https://www.journalism.co.uk/news/abc-mail-online-on-verge-of-reaching-200-million-monthly-visitors-in-december/s2/a563873/>.

²⁹³ Mark Sweny "Mail Online to switch to .com domain name" (27 January 2014) The Guardian. Accessed here: <http://www.theguardian.com/media/2014/jan/27/mail-online-com-domain-name>.

²⁹⁴ This is Money "Mail Online revenues up 27% as it maintains position as most popular English language newspaper website in the world" (29 January 2016). Accessed here: <http://www.thisismoney.co.uk/money/markets/article-3421479/Mail-Online-revenues-27-maintains-position-popular-English-language-newspaper-website-world.html>.

²⁹⁵ Kara Bloomgarden-Smoke "How 'Journalism Crack' Conquered the Internet" (19 March 2014) Observer. Accessed at: <http://observer.com/2014/03/mailonline/>.

²⁹⁶ *Newshub, Jono and Ben, 7 Days, 3 Now, George FM, The Sound, Mai, The Edge, Four, The Rock, More FM, Magic and The Breeze*.

²⁹⁷ Microsoft Bing homepage. Accessed here: <http://www.bing.com/>.

²⁹⁸ Joseph Finney "How has Microsoft's redesign of MSN.com affected daily site traffic?" (19 November 2014) WinBeta. Accessed here: <http://www.winbeta.org/news/how-has-microsofts-redesign-msncom-affected-daily-site-traffic>.

annual revenue by 2018. It was also expecting to grow its monthly active users to \$151 million by the end of 2015 and \$329 million by 2018. The venture firm investing in Pinterest has stated it is "striving to build a platform with the scale and engagement of Facebook and the purchasing intent of Google."²⁹⁹

- 1.58 **Politik:** Politik is described as the "only New Zealand news website devoted exclusively to independent political journalism that is updated daily."³⁰⁰ It is headed by the former TVNZ political editor Richard Harman.
- 1.59 **Radio New Zealand:** Radio New Zealand ("**RNZ**") is a Crown entity established under the Radio New Zealand Act 1995. RNZ has embarked on a recent transition from being a radio broadcaster to being a "multi-media broadcaster". This process commenced in earnest with the rebrand in October 2015 from "Radio New Zealand" to "RNZ", which is in line with the branding of overseas public multimedia broadcasters such as the BBC and ABC.³⁰¹ RNZ's online presence will only increase further with the passing of the Radio New Zealand Amendment Bill on 30 March 2016, which confirms RNZ's role is to become a multimedia (not just radio) broadcaster.³⁰²
- 1.60 **RealEstate.co.nz:** Realestate.co.nz has the most comprehensive selection of real estate listings in New Zealand, presenting more than 97% of all residential, commercial and rural properties currently marketed by real estate professionals. It is also available as a mobile app.³⁰³
- 1.61 **Scoop:** Scoop is a New Zealand independent news website which publishes content on politics, world news, local news, business and culture. Scoop employs four full time journalists and publishes 1,000 news items a week, many of which are press releases. Scoop has approximately 450,000 unique visitors per month, 60% of which come from New Zealand.³⁰⁴
- 1.62 **Seek:** Seek.co.nz offers a job and candidate search experience for employers and job applicants, across desktop, mobile and tablets. It is part of the SEEK group, and encompasses a portfolio of employment, education and volunteer businesses across New Zealand, Australia, China, India, Indonesia, Philippines, Vietnam, Thailand, Malaysia, Hong Kong, Singapore, Brazil, Mexico, Nigeria, Bangladesh, South Africa and Kenya. SEEK's network receives over 375 million site visits per month.³⁰⁵
- 1.63 **Sky News:** Sky News is Australia and New Zealand's leading multi-platform 24-hour news supplier. Sky News features news on the hour, every hour and has changed the way that New Zealanders get their television news. Sky News is available to more than 2.5 million homes and locations across Australia and New Zealand.³⁰⁶
- 1.64 **Sky TV:** Sky offers subscription television to over 48% of New Zealand homes. Sky has the largest portfolio of content in New Zealand, including

²⁹⁹ Katie Roof "Leaked Pinterest Documents Show Revenue, growth Forecasts" (16 October 2015) TechCrunch. Accessed here: <http://techcrunch.com/2015/10/16/leaked-pinterest-documents-show-revenue-growth-forecasts/>.

³⁰⁰ Politik "Frequently Asked Questions" (13 March 2016). Accessed here: <http://politik.co.nz/en/content/FAQs/571/FREQUENTLY-ASKED-QUESTIONS.htm>.

³⁰¹ Joshua Riddiford "Small change, big shift: why Radio New Zealand has joined the acronym party" (5 November 2015) StopPress. Accessed here: <http://stoppress.co.nz/news/radio-new-zealand-rebrand-rnz-reflects-multimedia-approach-state-broadcaster>.

³⁰² Amy Adams "Bill ensures ongoing success for RNZ" (press release, 30 March 2016). Accessed here: <https://www.beehive.govt.nz/release/bill-ensures-ongoing-success-rnz>.

³⁰³ Real Estate "About Us". Accessed here: <http://www.realestate.co.nz/about/about-us>.

³⁰⁴ Scoop homepage. Accessed here: <http://www.scoop.co.nz/>.

³⁰⁵ Seek "About Us". Accessed here: <http://www.seek.co.nz/investor/about-us>.

³⁰⁶ Sky News Australia and New Zealand. Accessed here: <http://www.skynews.com.au/>.

entertainment, sports, movies and news. As well as the multi-channel pay television packages, Sky offers the SKY GO platform, free-to-air Prime and standalone products such as IGLOO and FATS0. With the anticipated growth in competition, Sky plans to continue investing in content and expanding its services.³⁰⁷

- 1.65 **Snapchat:** Snapchat is a photo messaging app for mobile phones, originally introduced to allow users to instantly message with friends through photo and video that would disappear after ten seconds. Snapchat was launched in 2012 and, as of May 2015, users were sending 2 billion photos and videos per day, while Snapchat Stories content was being viewed 500 million times per day. In December 2015, Snapchat created a real time news feature which produces a collection of photos and videos from people on the scene or close to it. The live imagery stories are aggregated by location and made available to those in the applicable area. Snapchat's news efforts are being run by a former CNN political correspondent who joined Snapchat in 2015, who has plans to expand this area of the business.³⁰⁸
- 1.66 **Storyful:** Storyful is a social news tool founded in 2008 and acquired by News Corp in 2013 for US\$25m. It verifies and manages the rights holders of news and videos on social media platforms such as Twitter in real time, and aggregates them into a cohesive, user-generated story. Storyful maintains partnerships with news organisations including the *New York Times*, *Reuters* and *ABC News*.³⁰⁹
- 1.67 **The Economist:** *The Economist* is a news/information publication that is distributed in most of the world's major cities, and which maintains an extensive online news/information presence.³¹⁰ As at October 2015 its online site attracted over 11 million unique visitors, with just under half a million of those visitors being from Australia and New Zealand.³¹¹
- 1.68 **The Guardian:** *The Guardian* is a UK-based print newspaper, which also operates one of the most visited news and information sites in the world, with over one and a half million readers per day.³¹²
- 1.69 **The Huffington Post:** *The Huffington Post* is an online news aggregator and blog, whose total digital audience in December 2015 was 90.6 million.³¹³
- 1.70 **The New York Times:** *The New York Times* is a US-based newspaper, the online version of which attracts 65.8 million unique visitors per month.³¹⁴ It also offers tablet and smartphone apps.³¹⁵
- 1.71 **The Spinoff:** *The Spinoff* is a New Zealand website that was launched in 2014, and covers a variety of news and lifestyle media. The site has television content sponsored by Spark's Lightbox, sports content sponsored by PGA Tour Live and Premier League Pass, and a books section covered by Unity Books.

³⁰⁷ Sky homepage. Accessed here: <https://www.sky.co.nz/>.

³⁰⁸ Snapchat, Wikipedia. Accessed here: <https://en.wikipedia.org/wiki/Snapchat>.

³⁰⁹ "News Corp Pays \$25m for Storyful, Which Digs Up and Verifies News From Social Sites Like Twitter and Instagram" accessed here: <http://techcrunch.com/2013/12/20/news-corp-buys-storyful-for-25m-to-dig-up-verified-news-from-social-media-sites-like-twitter-and-instagram/>.

³¹⁰ The Economist "About ". Accessed here: http://www.economist.com/help/about-us#About_Economistcom

³¹¹ The Economist Group "Audience". Accessed here: <http://marketingsolutions.economist.com/planning-tools/audience>

³¹² Newsworks "The Guardian". Accessed here: <http://www.newsworks.org.uk/The-Guardian>.

³¹³ The Washington Post "the Washington Post surges to 76 million monthly users". Accessed here: <https://www.washingtonpost.com/pr/wp/2016/01/14/the-washington-post-surges-to-76-million-monthly-users-2/>

³¹⁴ The New York Times *Media Kit- Online*. Accessed here: <http://nytmediakit.com/online>.

³¹⁵ The New York Times *Media Kit- Mobile*. Accessed here: <http://nytmediakit.com/mobile>.

Staff writers such as Alex Casey, Steve Braunias and Toby Manhire have helped build a loyal audience of over 150,000 monthly users.³¹⁶ The site posts content across text, audio and video daily.

- 1.72 **The Wall Street Journal:** *The Wall Street Journal* is a US-based print and online news/information publication, which attracts a monthly average of 31.3 million unique visitors.³¹⁷ *The Wall Street Journal's* digital network is growing 2.5 times faster than the global Internet year on year, and generates 1,200 new videos and 7.1 million video streams every month.³¹⁸
- 1.73 **Trade Me:** Trade Me is one of New Zealand's most visited sites, with a unique audience of well over 1.8 million visiting the site each month. Trade Me offers a range of advertising products including banner placements and email newsletter sponsorship. These options enable advertisers to reach targeted audiences in various categories. Trade Me also offer advertising options across its alternate sites Travelbug, Holiday Houses and FindSomeone.³¹⁹
- 1.74 **Tumblr:** Tumblr is a micro blogging platform and social networking website founded in 2007. The service allows users to post multimedia and other content to a short-form blog. Users can follow other users' blogs, as well as make their blogs private. Tumblr hosts 287.6 million blogs and has 555 million monthly visitors.³²⁰ Tumblr also allows businesses to create content for users and is ranked number one in social sentiment towards brands. Sponsored posts allow businesses to make posts that will be most visible to users and can be targeted by gender, location and interests.
- 1.75 **TVNZ:** TVNZ provides New Zealand's most watched news and current affairs shows. In its 2015 annual report TVNZ showed a 55% profit increase in 2014, 27% increase in TVNZ OnDemand streams, and 45% increase in One News Now video streams. The One News TV audience share grew by 10% in 2014, and One News online video streams increased by 45%.³²¹
- 1.76 **Twitter:** Twitter is a social media platform which allows users to post short messages called 'tweets', which are able to be read by any twitter user who has chosen to 'follow' that person. Twitter boasts 320 million active users.³²² A 2015 report found that nearly 90% of Twitter users use Twitter for news; three quarters follow individual journalists; and nearly two thirds follow institutional accounts. The report also found (in keeping with the Reuters report discussed above at paragraph 6.10) that "*Twitter users are also very likely to discover new journalists and writers and consequently follow their work, often on other platforms beyond Twitter.*"³²³
- 1.77 **Vice Media:** Vice Media publishes print magazines and websites focused on arts, culture, and news/information topics, and is described "as a platform-spanning news and entertainment group valued at more than \$2.5 billion".³²⁴

³¹⁶ The Spinoff "About". Accessed here: <http://thespinoff.co.nz/about-contact/>.

³¹⁷ The Wall Street Journal "About". Accessed here: <http://wsjdigitalsolutions.com/about/>.

³¹⁸ The Wall Street Journal "About". Accessed here: <http://wsjdigitalsolutions.com/about/>.

³¹⁹ Trade Me "Annual Report 2015". Accessed here: <http://annualreport.trademe.co.nz/>.

³²⁰ Tumblr "About". Accessed here: <https://www.tumblr.com/about>.

³²¹ TVNZ Annual Report 2015. Accessed here: http://www.parliament.nz/resource/mi-nz/51DBHOH_PAP66276_1/2709a35caac09b75442a36f8fcfb4195d6ba05fa.

³²² Twitter "About". Accessed here: <https://about.twitter.com/>.

³²³ Tom Rosenstiel et al "Twitter and the News: How people use the social network to learn about the world" (1 September 2015) American Press Institute. Accessed at: <https://www.americanpressinstitute.org/publications/reports/survey-research/how-people-use-twitter-news/>.

³²⁴ Emma Bazilian "How Shane Smith Built Vice Into a \$2.5 Billion Empire" Adweek (29 September 2014). Accessed here: <http://www.adweek.com/news/press/how-shane-smith-built-vice-25-billion-empire-160379>

Vice Media has a *Vice Australia* website, and is increasing its focus on New Zealand.³²⁵

- 1.78 **Yahoo!:** Yahoo! New Zealand provides access to mail, TV guides, Tumblr, and a wide range of news/information. The online search engine allows users to browse top stories, local, world, sport and finance news as well as check on weather, traffic and lotto. In 2014, Yahoo! released Yahoo! News Digest, a mobile app which condenses stories to their most fundamental elements and combines them with select points of view sourced from around the web.³²⁶
- 1.79 **YouTube (Google):** YouTube allows users to upload videos, where they can be watched by anyone in the world. It has "over a billion users - almost one-third of all people on the internet", and growth in watch time is accelerating - up at least 50% year on year for the last three years in a row. Appreciating this vast influence, all of the top 100 global brands placed ads on YouTube in 2015.³²⁷
- 1.80 **Print publications' online offerings:** The large majority of the print newspapers and magazines listed above at 1.1 to 1.36 of **Appendix Eight** also have regularly-updated online editions.

³²⁵ Damien Venuto "Vice throws more weight behind Kiwi arm" Stop Press (28 April 2016). Accessed here: <http://stoppress.co.nz/features/vice-grows>

³²⁶ Yahoo! New Zealand homepage. Accessed here: <https://nz.yahoo.com/>.

³²⁷ Youtube "Statistics". Accessed at: <https://www.youtube.com/yt/press/statistics.html>.

APPENDIX NINE
ANNUAL REPORTS

A copy of Fairfax's 2015 annual report is available online at:
http://www.fairfaxmedia.com.au/ArticleDocuments/191/2015-08-13_Annual%20Report%202015.pdf.aspx?Embed=Y

A copy of APN News & Media's 2015 annual report is available online at:
<http://www.google.co.nz/url?sa=t&rct=j&q=&esrc=s&source=web&cd=9&ved=0ahUKEwjhy7vj2J7MAhUBn5QKHZnOBywQFghJMAg&url=http%3A%2F%2Fphx.corporate-ir.net%2Fexternal.file%3Ft%3D%26item%3D%26Do8hHt16027g9XhJTr8%2BweNRYaV9bFc2rMd0Q%2FAXw4zupWwpyYvMA8MQC%2Fb9NBUqyyx%2F9EHgvtfF0Sp4Z%2F4%2FM6Jr0aTPXc50DktmRwSelzpjfhiw80nDcBBvXKUisFitVty2YmVTFBMpR%2Fg3s9jtXZw%3D%3D%26cb%3D635944004807573101&usq=AFQjCNF9lv0Mf5FAdNwO-SeDo6oze1uEVA>

APPENDIX TEN

LIST OF INTERESTED PARTIES

Name of company	Contact details	Relevant contact person
<i>Both legal and trading names</i>	<i>Postal and physical address, telephone and fax, website</i>	<i>Name, position, contact details including telephone, email and fax</i>
Advocate Communications Limited	70D Town Centre Te Anau 274 Great North Road Winton www.fiordlandadvocate.co.nz	[]
Akaroa Mail Co Newspaper	PO Box 84, Kaiapoi 03 327 7622 F: 03 327 5500 www.akaroamail.co.nz	[]
Al Jazeera English	PO Box 23127 Doha - Qatar http://www.aljazeera.com/	[]
Allied Press Limited	12-14 George Street PO Box 179 Timaru 7910 +64 3 687 9228 Fax: +64 3 688 1753 www.alliedpress.co.nz/	[]
Apple Inc.	1 Infinite Loop Cupertino, CA 95014 www.apple.com	[]
Ashburton Guardian Company Limited	Level 3, Somerset House 161 Burnett Street PO Box 77 Ashburton 307 7900 http://www.guardianonline.co.nz/	[]
Associated Newspapers Ltd	Northcliffe House 2 Derry Street London W8 5TT http://www.dailymail.co.uk/home/index.html	[]
AUT Enterprises Limited	AUT, 7 th Floor, Wa Building 55 Wellesley Street East Auckland	[]
Bauer Media (NZ) Limited	Bauer Media New Zealand Head Office Private Bag 92512 Auckland 1036 09 308 2700 http://www.bauermedia.co.nz/	[]
BBC Online	BBC London 2 nd Floor, Peel Wing BBC Broadcasting House Portland Place London W1A 1AA http://www.bbc.co.uk/	[]
Beacon Media	The Beacon 32 Pyne Street PO Box 243 Whakatane 3120 http://whakatanebeacon.co.nz/	[]
Bloomberg, Inc.	2711 Centreville Road Suite 400, Wilmington Delaware, 19808 United States of America http://www.bloomberg.com/	[]
Bowalley Road	http://bowalleyroad.blogspot.co.nz/	[]
Business Desk	Business Desk Level 13, Grand Arcade 16 Willis St Wellington 6146	[]

Name of company	Contact details	Relevant contact person
<i>Both legal and trading names</i>	<i>Postal and physical address, telephone and fax, website</i>	<i>Name, position, contact details including telephone, email and fax</i>
	04 499 7176	
Buzzfeed, Inc.	BuzzFeed, Inc. 111 E. 18 th Street 13 th Floor New York, NY 10003 https://www.buzzfeed.com/	[]
Chinese Herald Limited	6b Fairsea Place Lynfield Auckland, 1042 http://www.chnet.co.nz/Html/2016-5-10/Paper.Html	[]
Chinese Times Limited	194 Marua Road Mount Wellington Auckland 1051	[]
CNN	One CNN Center Atlanta, GA 30303 (404) 878 2276 http://edition.cnn.com/ http://edition.cnn.com/feedback/	[]
Craigslist	Craigslist headquarters 1381 9 th Ave. San Francisco CA 94122 1 415 566 6394 https://www.craigslist.org/	[]
eBay Inc.	2065 Hamilton Avenue San Jose, California 95125 United States (408) 376 7400 http://www.ebay.com/ http://ocsnnext.ebay.com/ocs/home	[]
Facebook, Inc.	2711 Centerville Road, Suite 400, Wilmington De 19808, United States of America www.facebook.com	[]
Fox News Channel	1211 Avenue of the Americas 2 nd Floor New York NY 10036 www.foxnews.com	[]
Google	c/o Corporation Service Company, 2711 Centreville Road, Suite 400, Wilmington De19808 United States of America www.google.com	[]
Gulf News Limited	Pendragon House Unit K 118 Ocean View Road Oneroa 372 5055 Fax: 372 5029 www.waihekegulfnews.co.nz/archive/	[]
Hive News.co.nz	Hive News Press Gallery Parliamentary Buildings Wellington, 6011 http://www.hivenews.co.nz/	[]
Home Voice Limited	169 Riddiford Street Newtown Wellington 6021 http://homevoice.co.nz/	[]
Hope Publishing Limited	Level 8, Harbour View Building 152 Quay Street Auckland	[]

Name of company	Contact details	Relevant contact person
<i>Both legal and trading names</i>	<i>Postal and physical address, telephone and fax, website</i>	<i>Name, position, contact details including telephone, email and fax</i>
Howling At The Moon Publishing Limited	Investigate Magazine PO Box 188 Kaukapakapa Auckland 0843 http://www.investigatemagazine.co.nz/	[]
JDJL Limited	PO Box 47-756 Ponsonby Auckland 09 360 9670 206 Jervois Road (Level 1) Herne Bay Auckland http://www.interest.co.nz/	[]
Kiwiblog	PO Box 12270 Thorndon Wellington 6144 027 447 0216 dpf@ihug.co.nz http://www.kiwiblog.co.nz/	[]
Lifestyle Magazine Group Limited	Level 1 29 Great South Road Epsom Auckland 1051 09 222 0409 http://lifestylemagazinegroup.co.nz/	[]
Local Matters 2005 Limited	17 Neville Street Warkworth 0941 09 427 8188 Fax: 09 427 8186 localmatters@xtra.co.nz www.localmatters.co.nz	[]
Making Waves Media Limited	717 Weedons Ross Road West Melton RD6 Christchurch 7676 03 347 1562 http://therecordonline.co.nz/ news@therecord.co.nz	[]
Manaia Media Limited	Manaia Media Ltd Private Bag Ohinewai 3784 www.horseandpony.ma.govt.nz	[]
MediaWorks TV Limited	3 Flower St Eden Terrace Auckland 09 928 9000 http://www.mediaworks.co.nz/	[]
Mercury Bay Media Limited	The Mercury Bay Informer 14 Monk Street Whitianga 3510 PO Box 426 07 866 2090 07 866 2092	[]
Microsoft Bing	1 Microsoft Way Redmond, WA 98052-7329 USA http://www.bing.com/	[]
MSN News	WE Communications Microsoft Media Relations 426 638 7777 http://www.msn.com/en-nz/news/world	[]

Name of company	Contact details	Relevant contact person
<i>Both legal and trading names</i>	<i>Postal and physical address, telephone and fax, website</i>	<i>Name, position, contact details including telephone, email and fax</i>
National Business Review	Level 3 Achilles House Commerce Street Auckland PO Box 1734 Auckland 1040 +64(0)9 307 1629 / 0800 843 627 Fax: +64(0)9 373 3997 www.nbr.co.nz	[]
New Zealand Chinese Press	PO Box 30355 Lower Hutt 5040 04 589 0999 team@chineseexpress.co.nz http://www.chineseexpress.co.nz/	[]
New Zealand Community Newspapers Association	PO Box 347 Ashburton Fax www.cna.org.nz/	[]
New Zealand Epoch Times Limited	Flat 2, 7 Richardson Road Mount Albert Auckland 1025 http://www.theepochtimes.com/	[]
New Zealand Messengers Limited	Unit 1, 45 Mandeville Street, Riccarton Christchurch 8011 nzmessenger@xtra.co.nz http://nzmessengers.co.nz/welcome/	[]
New Zealand South Island Chinese Newspaper Limited	Level 1, 252 Cumberland Street Dunedin 9010	[]
News Works.	39 Market Place Westhaven Auckland 1010 09 306 1600 http://www.newsworks.nz/	[]
NorthSouth Multimedia Limited	107 River Road Dargaville PO Box 474 Dargaville 09 439 6933/ 0800 466 793 http://www.nsmm.co.nz/	[]
Opunake & Coastal News	23 Napier Street PO Box 74 Opunake http://www.opunakecoastalnews.co.nz/	[]
Pacific Magazines Pty. Ltd.	Media City 8 Central Avenue Eveleigh NSW 2015 (02) 9394 2000 http://www.pacificmagazines.com/	[]
Pinterest	Pinterest Headquarters 808 Brannan St San Francisco CA 94103 https://nz.pinterest.com/	[]
Pohutakawa Coast Times	10 Ealing Crescent Beachlands Auckland 2018 09 536 5715 Fax: 09 536 5714 http://www.pctimes.co.nz/	[]
Politik (Blog)	Front Page Limited 5 Salisbury Terrace Wellington, 6021 PO Box 5464 Wellington, 6145 04 384 1827 http://politik.co.nz/	[]

Name of company	Contact details	Relevant contact person
<i>Both legal and trading names</i>	<i>Postal and physical address, telephone and fax, website</i>	<i>Name, position, contact details including telephone, email and fax</i>
Public Address Limited	5a/22 Beresford Square Auckland, 1010 http://publicaddress.net/	[]
Pundit Limited	63 Grand Drive, Remuera Auckland, 1050 http://pundit.co.nz	[]
Radio New Zealand Limited	Level 2, Radio New Zealand House, 155 The Terrace Wellington 04 474 1999 http://www.radionz.co.nz/ rnz@radionz.co.nz	[]
Raglan Ink Limited	Wainui Road PO Box 234 Raglan 07 825 7076 Fax: 07 825 7078 www.raglan.net.nz	[]
RealEstate.co.nz Limited	PO Box 137192 Parnell Auckland 0800 732 536 http://www.realestate.co.nz/	[]
<i>Ruapehu Bulletin</i>	16B Goldfinch Street Ohakune 06 385 8532 Fax: 06 385 8622 www.ohakune.info/ruapehu-bulletin-1.html	[]
Scene Online	http://www.sceneonline.co.nz 07 888 4489 scene@xtra.co.nz	[]
Scoop Publishing Limited	Scoop Publishing Ltd PO Box 11 501 Wellington New Zealand 04 910 1844 http://www.scoop.co.nz/	[]
Seek (NZ) Limited	Level 5 5 High Street Auckland 0508 733 569 http://www.seek.co.nz/ accounts@seek.co.nz	[]
Sky Network Television Limited	Freepost 2921 SKY Television PO Box 9059 Newmarket Auckland 0800 759 759 https://www.sky.co.nz/	[]
Snapchat Inc.	64 Market St Venice, CA 90291 United States Los Angeles, CA www.snapchat.com	[]
Star Media Limited	12 Venture Place, Middleton Christchurch 8011 021 793 794 http://www.starmedia.kiwi/	[]
Storyful	Storyful Headquarters 1185 Avenue of the Americas New York NY 10036 USA http://storyful.com/	[]

Name of company	Contact details	Relevant contact person
<i>Both legal and trading names</i>	<i>Postal and physical address, telephone and fax, website</i>	<i>Name, position, contact details including telephone, email and fax</i>
Sun Media	1 The Strand Tauranga 07 578 0030 Fax: 07 571 1116 http://www.sunlive.co.nz/	[]
Tangible Media Limited	19 Lyon Ave PO Box 77027 Mt Albert Auckland 1350 0800 782 347 support@tangiblemedia.co.nz http://www.tangiblemedia.co.nz/	[]
Telegraph Media Group Limited	111 Buckingham Palace Road London SW1W 0DT 0800 33 20 20 http://www.telegraph.co.uk/	[]
The Beacon Printing & Publishing Co Ltd	The Strand PO Box 243 Whakatane http://whakatanebeacon.co.nz/about-us/	[]
The Blenheim Sun Limited	P.O.Box 634 72 High Street Blenheim, Marlborough 03 577-7868 Fax: 03 577-7863 http://blenheimsun.co.nz/index.html	[]
The Daily Blog	5 Victoria St East/Queen St Auckland CBD http://thedailyblog.co.nz/	[]
The Devonport Flagstaff	First floor 9 Wynyard Street PO Box 32-275 Devonport Auckland 0 9 445 0060 www.devonportflagstaff.co.nz	[]
The Dim-Post	https://dimpost.wordpress.com/	[]
The Economist	25 St James's Street London SW1A 1HG http://www.economist.com/	[]
The Geraldine News	17 Bay Vista Drive, Pohara RD1 Takaka 7183 0800 693 800 Fax: 03 525 8699 http://www.geraldinenews.co.nz/	[]
The Gisborne Herald Company Limited	64 Gladstone Road PO Box 1143 Gisborne 0800 639 754 http://www.gisborneherald.co.nz/	[]
The Golden Bay Weekly	03 525 8679 F: 03 525 8699 http://www.gbweekly.co.nz/	[]
The Guardian	Kings Place 90 York Way London N1 9GU +4420 3353 2000 http://www.theguardian.com/	[]
The New York Times	The Times Center The New York Times 620 8 th Avenue New York NY 10018 212 556 4300	[]
The Opunake and Coastal	23 Napier Street	[]

Name of company	Contact details	Relevant contact person
<i>Both legal and trading names</i>	<i>Postal and physical address, telephone and fax, website</i>	<i>Name, position, contact details including telephone, email and fax</i>
News Limited	PO Box 74 Opunake 06 761 7016 Fax: 06 761 7016 www.opunakecoastalnews.co.nz	
The Spinoff	http://thespinoff.co.nz/ duncan@thespinoff.co.nz	[]
The Wairoa Star Limited	77-79 Queen Street PO Box 41 Wairoa +64 6 838 7194 Fax: +64 6 838 6973 www.wairoastar.co.nz	[]
TheHuffington Post.com, Inc.	770 Broadway New York NY 10003 U.S. http://www.huffingtonpost.com/	[]
Times House Publishing Limited	Level 1, The Lane Botany Town Centre Auckland 2013 09 271 8080 0800 456 789 http://www.timeshouse.co.nz/	[]
Trade Me Limited	Level 5, 2 Market Lane Wellington 6011 0900 87233 04 803 2601 http://www.trademe.co.nz/	[]
Tumblr	35 E 21 st Street Ground Floor New York City United States https://www.tumblr.com/	[]
TVNZ International Limited	TVNZ Television Centre 100 Victoria Street West PO Box 3819 Auckland 1140 09 916 7000 http://tvnz.co.nz/	[]
Twitter	1355 Market Street Suite 900 San Francisco, CA 94103 United States www.twitter.com	[]
UMA Broadcasting Limited	31 Calthorp Close Mangere Favona Auckland 09 275 9070 news@waatea603am.co.nz http://www.waateanews.com/	[]
Waikato Weekly Chinese Newspaper	171 Peachgrove Road Claudelands Hamilton 3214 07 853 8598 info@waikatoweekly.co.nz http://www.waikatoweekly.co.nz/	[]
Waiuku Publishing Limited	18 Bowen Street Waiuku 2123 +64 9 235 7835 http://thepostnewspaper.co.nz/	[]
Wall Street Journal	1211 Avenue of the Americas New York City 10036, United States http://www.wsj.com/	[]
Washington Post	1301 K Street NW Washington D.C. 20071	[]

Name of company	Contact details	Relevant contact person
<i>Both legal and trading names</i>	<i>Postal and physical address, telephone and fax, website</i>	<i>Name, position, contact details including telephone, email and fax</i>
	United States www.washingtonpost.com	
Wellington Suburban Newspapers Limited	23 Broderick Road Johnsonville PO Box 38-776 04 587 1660 Fax: 04 587 1661 http://www.wsn.co.nz/	[]
Whale Oil	09 889 8355 whaleoil@whaleoil.co.nz http://www.whaleoil.co.nz/	[]
Yahoo! Australia & NZ (Holdings) Pty Ltd	Yahoo! 7, Levels 2 & 3 Pier 8/9 23 Hickson Road Millers Point NSW 2000 www.yahoo.com	[]
YouTube	YouTube, LLC 901 Cherry Ave San Bruno, CA 94066 USA https://www.youtube.com/	[]

APPENDIX ELEVEN

COPY OF AUSTRALIAN STOCK EXCHANGE ANNOUNCEMENT

Available at: <https://www.nzx.com/files/attachments/235208.pdf>

CONFIDENTIAL APPENDIX TWELVE

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APPENDIX THIRTEEN
NERA ECONOMIC CONSULTING REPORT

Enclosed.

**CONFIDENTIAL APPENDIX FOURTEEN
PRICewaterhouseCOOPERS REPORT**

Enclosed.

APPENDIX FIFTEEN

COMMUNITY PAPER OVERLAPS

- 1.1 Specifically, within the regions described at paragraphs 14.22 to 14.25 and Figure Fifteen of the application, the most directly competing community papers in each overlapping area are set out below.
- 1.2 In addition to other community newspapers, in each of these areas the Parties also face competition from a range of other competitive constraints - including digital websites, TV, radio, flyers, real estate publications, etc. In particular, given the bulk of the advertising in community papers in the regions is often real estate advertising, it would also be possible for a real estate company to sponsor the launch of a new publication in a particular region if it were to be dissatisfied with its community paper advertising alternatives.
- 1.3 **Whangarei:** *Whangarei Leader* (Fairfax) and *Whangarei Report* (NZME). These are the two primary community papers for Whangarei. Neighbouring publications in Northland that could easily expand include the *Kaipara Lifestyler* and *Northern Farming Lifestyles*. Both of these are owned by NorthSouth Multi Media Limited - a Northland-headquartered privately-owned company with six publications across rural New Zealand. NorthSouth Multi Media has "significant nationwide expansion plans starting to come to fruition",³²⁸ and could readily establish a new Whangarei- community paper.
- 1.4 **Rotorua:** *Rotorua Review* (Fairfax) and *Rotorua Weekender* (NZME). These are the two primary community papers for Rotorua. Neighbouring publications include *The Weekend Sun* (Tauranga / BOP) or *Coast & Country News* (BOP) (monthly) (both owned by Sun Media). Sun Media, or another publisher, could readily launch a new Rotorua community paper. Sun Media's willingness to consider expansion is illustrated by its recent expansion into the Thames and Coromandel region with a new title called *Peninsula Sun Live* (which has subsequently been withdrawn).
- 1.5 **Hamilton:** *Hamilton Press* (Fairfax) and *Hamilton News* (NZME). These publications already compete with the existing independently owned *Western Community News*, which targets Hamilton West. Sun Media or North South Multimedia or another publisher, could readily launch a new Hamilton community paper.
- 1.6 **Coromandel / Hauraki:** *Hauraki Herald* (Fairfax) and *Coastal News* (NZME). These publications already compete with the existing independently owned *Peninsula Press* (Coromandel Peninsula), *The Mercury Bay Informer* (Coromandel Peninsula's wider Mercury Bay, including Whitianga, Pauanui and Tairua), and *The Peninsula Post* (Coromandel Town and Northern Coromandel Peninsula).
- 1.7 **Taupo:** *Taupo Times* (Fairfax) and *Taupo and Turangi Weekender* (NZME). These are the two primary community papers for Taupo. Neighbouring publications include *Coast & Country News* ("the Bay and Waikato's leading rural publication") (Sun Media). Sun Media or another publisher could readily create a new Taupo community paper.
- 1.8 **Taranaki:** *North Taranaki Midweek* (Northern Taranaki), *South Taranaki Times* (Southern Taranaki) (Fairfax), and NZME's *Stratford Press* (Stratford, Eltham,

³²⁸ <http://www.nsmm.co.nz/about>

Inglewood and all rural areas bounded by Tahora in the East, Kaponga in the west, Egmont Village to the north and Te Roti in the south). These publications already compete with the existing independently owned *Opunake and Coastal News* (New Plymouth, Hawera and around Mt Taranaki), *Taranaki Farming Lifestyles* (NorthSouth Multi Media), and *Patea and Waverly Press* (South Taranaki - from Mokoia in the north to Brunswick in the south). In addition, companies such as River City Press (headquartered in Wanganui) could readily create a new publication to target the Taranaki region.

- 1.9 **Hawke's Bay:** Fairfax's *HB Country Scene* (Hawke's Bay from Wairoa to Dannevirke) and NZME's *Central Hawke's Bay Mail* (Central Hawke's Bay - Waipukurau and Waipawa and towns from Tikokino to Porangahau Beach). These publications already compete with the *Wairoa Star* (Wairoa, Hawke's Bay) (twice a week)³²⁹ and *BayBuzz* (Napier, Hastings, Havelock North, Central Hawke's Bay (Waipukurau and Waipawa)) (bi-monthly). Furthermore, Sun Media, or another publisher, could readily launch a new Hawke's Bay community paper, or the BayBuzz could increase its circulation frequency in response to advertising opportunities.
- 1.10 **Napier:** *The Napier Mail* (Fairfax) and *Napier Courier* (NZME). These publications already compete with the existing independently owned *BayBuzz*. Furthermore, Sun Media, or another publisher, could readily launch a new Napier community paper.
- 1.11 **Hastings:** *The Hastings Mail* (Fairfax) and *Hastings Leader* (NZME). These publications already compete with the existing independently owned *BayBuzz*. Furthermore, Sun Media, or another publisher, could readily launch a new Hastings community paper.
- 1.12 **Manawatu:** Fairfax's *The Tribune* (Palmerston North, Ashhurst, and as far as Marton, Bulls, Sanson, Woodville, Pahiatua, Foxton and Shannon) and *Feilding-Rangitikei Herald* (Feilding and Rangitikei region) and NZME's *Manawatu Guardian* (Palmerston North, Ashurst, Longburn, and Feilding). These publications already compete with the existing independently owned *Manawatu Farming Lifestyles* (Manawatu) (monthly) (NorthSouth Multi Media), and another publisher, such as River City Press or Wellington Suburban Newspapers could readily launch a new Manawatu community paper.
- 1.13 **Kapiti:** Fairfax's *Kapiti Observer* (Kapiti - Pukerua Bay, Paekakariki, Paraparaumu, Waikanae, Otaki, Te Horo, and Raumati) (twice a week) and NZME's *Kapiti News* (Kapiti - Otaki and Paraparaumu). Neighbouring publications include the *Independent Herald* and *Wainuiomata News* (both owned by Wellington Suburban Newspapers). Wellington Suburban Newspapers or another publisher could readily launch a new Kapiti community paper.
- 1.14 **Wairarapa:** *Wairarapa News* (Masterton and Wairarapa) (Fairfax) and *Wairarapa Midweek* (NZME). While there are no third party publishers currently providing community print newspapers in Wairarapa, as noted in Figure Fifteen, there are several neighbouring publications in the wider region, including *Independent Herald*, *Cook Straight News*, and *Wainuiomata News*, all of which are published by Wellington Suburban Newspapers. Wellington Suburban Newspapers could readily create a new publication to target Wairarapa. In addition, the currently digital-only Wairarapa publication *What's On Wairarapa*³³⁰ has announced plans to introduce a print copy of its

³²⁹ 40.41% owned by NZME.

³³⁰ What's on Wairarapa. About Us. Accessed here: <http://www.whatsonwairarapa.co.nz/#!about/c1c32>

publication: "We look to engage with our audience through a range of platforms and coming soon, our complimentary boutique, print copy". [].