PUBLIC VERSION

Commerce Act 1986: Business Acquisition

Section 66: Notice Seeking Clearance

Date: 15 July 2013

Proposed Acquisition of Terralink International Limited by PropertyIQ NZ Limited

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COMMERCE ACT 1986: BUSINESS ACQUISITION

SECTION 66: NOTICE SEEKING CLEARANCE

Date: 15 July 2013

The Registrar
Market Structure Team
Commerce Commission
PO Box 2351
Wellington

Pursuant to section 66(1) of the Commerce Act 1986 notice is hereby given seeking clearance of a proposed business acquisition.

Part 1: Overview

1.1 This is an Application for clearance pursuant to section 66(1) of the Commerce Act 1986 made by PropertyIQ NZ Limited to acquire the business and assets of Terralink International Limited.

1.2 The proposed merger will result in some aggregation in the market for the provision of property information and analytics services. However, the Applicant considers that the proposal does not raise competition concerns and that clearance should be granted.

1.3 Property information and analytics services are provided by obtaining data from public sources, Government, Councils, media, businesses as well as the firm capturing its own data direct; and then aggregating the information, applying analytics and delivering information solutions to customers through a variety of channels and technologies in response to their business needs.

1.4 Invariably customers are able to self-supply through a variety of internet based services and procure content similar to that which would otherwise be provided by a property information service provider. This operates as a constraint on market participants currently and this would continue in both the factual if the proposed transaction proceeds, and the counterfactual if it does not.

1.5 Property information service providers require access to data (much of it in the public domain and through direct capture), copyright licences that are readily available, limited technology and infrastructure, staff, and channels to market (which most firms can leverage from their existing businesses). These are considered as very low barriers to entry and are likely to fall further as data becomes more freely available and internet based technology expand at a rapid pace.

1.6 If the proposed transaction proceeds, current and potential competitors will continue to constrain the merged entity.

1.7 In summary, the Applicant's view is that existing and potential competitors, increasingly low barriers to entry or expansion, and the ability of customers to self-supply using internet based services, will mean that the proposed transaction will not substantially lessen competition in any market.

1.8 A glossary of business names and technical terms is attached as **Appendix 1**.

Part 2: Transaction Details

2. **The acquirer:**

2.1 **PropertyIQ NZ Limited:** This notice is given by PropertyIQ NZ Limited (PropertyIQ or the Applicant).

2.2 **Contact:** The contact details for PropertyIQ NZ Limited are as follows:

Registered office/physical address:

Level 8

158 Victoria Street

Wellington

Post address:

PO Box 4072

Wellington 6140

Telephone: 04 802 1230

Fax: 04 802 1231

Website: www.propertyiq.co.nz

Contact Person: Nigel Jeffries, Chief Executive Officer

Telephone: 04 802 1232
Mobile: 021 285 5813
Email: nigel.jeffries@propertyiq.co.nz

2.3 **Correspondence:** The Applicant requests that all correspondence is directed in the first instance to:

Gordon Wong

Partner, Duncan Cotterill

Level 2, Tower Building

50 Customhouse Quay

Wellington 6011

Telephone: 04 495 2687

Fax: 04 499 3308

Email: g.wong@duncancotterill.com

3. **The seller:**

3.1 **Terralink International Limited:** The seller is Terralink International Limited.

3.2 **Contact:** The contact details for Terralink International Limited are as follows:

Registered office/physical address:

Level 2

Terralink International House

275-283 Cuba Street

Wellington

Postal address:

PO Box 2872

Wellington 6140

Telephone: 04 915 6000

Fax: 04 915 6030

Website: www.terralink.co.nz

Contact person: Mike Donald, Managing Director

Telephone: 04 915 6022

Mobile: 021 749 900

Email: mike.donald@terralink.co.nz

4. **Structure of the parties**

4.1 **PropertyIQ**: The structure of ownership and control of PropertyIQ, as relevant to the competition law assessment of the proposed acquisition is provided in an organisation chart – **Appendix 2**.

4.2 **Terralink:** The structure of ownership and control of Terralink, as relevant to the competition law assessment of the proposed acquisition is provided in an organisation chart – **Appendix 3**.

5. **Details on what is to be acquired**

Clearance is sought in respect of the proposed acquisition by PropertyIQ of Terralink's business comprising the land and property information, and geospatial information services of Terralink. In the broader transaction, PropertyIQ is proposing to acquire the business and assets of Terralink on a cash and debt free basis.

6. **Explanation of commercial rationale for the proposed merger.**

6.1 The commercial rationale for the acquisition of Terralink's business by PropertyIQ is the creation of value through the combining of complementary data assets, intellectual property and channels to market that will enhance the products and services and therefore value to PropertyIQ's and Terralink's customers.

6.2 The strengths of the merger parties' businesses are highly complementary – PropertyIQ in analytics, property attributes and valuation data sets; and Terralink in geospatial expertise, land data sets and geospatial consultancy and solutions.

6.3 In particular, the growth of the merged entity has been identified in the spatial information and services part of the market in which Terralink has a presence. Spatial information technology and location based business intelligence are contributing to economic growth and competitiveness in New Zealand. Every business and organisation has a location based component. In 2008 the use and reuse of spatial information is estimated to have added $1.2 billion in productivity related benefits to the New Zealand economy. This was forecast to rise to $4 billion over the next five years. Spatial information technology is critical to infrastructure from roading, transport, emergency services through to utilities, banking and telecommunications.

6.4 To take advantage of the emerging opportunity in location based intelligence, the merger of PropertyIQ and Terralink will provide:

(a) Increased capability – combining analytic strength with geospatial strength;

(b) Increased capacity with critical mass to enable growth;

(c) Offshore networks to enable international growth through partnering with RP Data and Core Logic which, directly or indirectly, have a shareholding in PropertyIQ (see **Appendix 2**);

(d) Access to funding – needed to develop national and international growth; and

(e) Enhanced ability to compete with globalised players such as Google and Navtec who are extending their reach into New Zealand.

6.5 The Acquisition is not part of an international merger.

7. **Copies of most recent versions of documents bringing about the proposed merger.**

7.1 The Sale and Purchase Agreement (which is confidential) has been provided separately to the Commission.

7.2 If the Application is approved, the parties expect that completion of the proposed Acquisition is likely to occur in mid October 2013 or 20 business days after the application is approved, whichever is earlier.

8. **Competition agencies in other jurisdictions.**

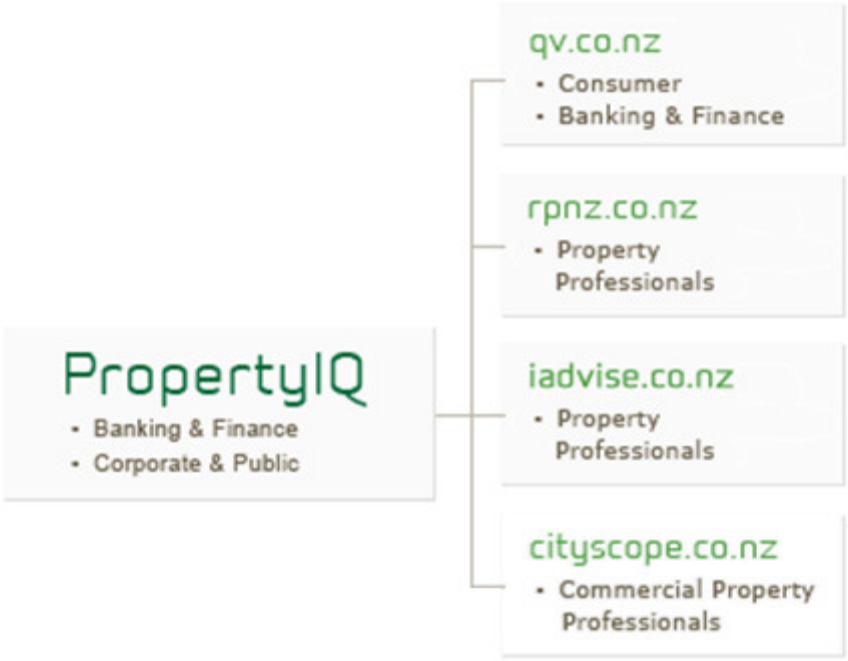
8.1 As the proposed acquisition does not involve any assets outside New Zealand, there is no intention to notify any other jurisdiction's competition agency of the proposed acquisition.

8.2 The Applicant is willing to provide the Commission with a waiver allowing it to exchange confidential information with other competition agencies in respect of the acquisition.

Part 3: The Industry

9. **Description of relevant goods or services supplied by the merger parties.**

9.1 **PropertyIQ Overview:** PropertyIQ provides a range of services relating to property information and services to customers across a wide range of business and public sectors.



9.2 **PropertyIQ Services:** PropertyIQ provides a number of online property information websites to the New Zealand market. Each of these websites provide a range of services tailored to a specific area of the market. These include:

(a) **qv.co.nz**: qv.co.nz is a web site where consumers, SME's and corporates can search for and view property reports on one or numerous properties. Up to 1st July 2013 qv.co.nz was available to all customers. On 1st July 2013 PropertyIQ launched a new product for the larger corporates, such as banks, using a customised version under the propertyiq.co.nz brand. The consumer and SME customers continue to use qv.co.nz. The corresponding products in Terralink are Terranet and Zoodle and to a lesser extent Terraview. qv.co.nz provides a broad range of property reports to approximately 5,500 paying customers a month. qv.co.nz serves home buyers and sellers seeking to verify information on a property, to SME business customers using the website every day to provide core data to support their business decisions. Customers can order online reports and statistics such as:

(i) A comprehensive property guide on a property that a customer owns or is interested in;

(ii) E-valuer: this gives an instant estimate of the current value of a property;

(iii) House value tracker;

(iv) Local sales: customers can see what properties in their neighbourhood are selling for;

(v) Bank property guide: an overview of a property and recent sales in the area;

(vi) Certificate of title;

(vii) Property statistics: for example:

A residential sales summary showing number of sales, average sales price, and average capital value for houses, apartments and sections;

B commercial and industrial sales summary showing number, average sale price per square metre for commercial and industrial properties in each of the main urban areas;

C rural sales summary showing number, average sale price, average price per hectare and average production per hectare for different categories in farmland districts.

In addition, at qv.co.nz customers can order a full current market valuation where qv's valuers undertake a full inspection of the property, including assessing related sales in the area and drawing on qv's local knowledge, expertise and nationwide property database.

The qv.co.nz website also offers some free property reports such as property supply and demand statistics, neighbourhood demographics profits, and school zones.

(b) **PropertyIQ.co.nz** provides a broad range of property reports to banking and corporate customers to support their property and lending decisions. So, for example, BNZ will go to ***propertiq/bnz.co.nz*** for its version of the web site. A bank which uses the most functionality can use the site as part of the process of assessing a new lend. The banker inputs an address and a loan amount, the banks credit policy that sits in the system establishes which product should be used to assess the value of the property eg RV, AVM, Desktop (ValIQ) or Full Valuation (FMV). If a RV or AVM is required the system provides the report to the banker. If a ValIQ or a FMV is required an order is allocated to a valuer on the valuation panel. The valuer completes the valuation and loads it back into the system. The valuation is delivered to the banker who then completes the loan assessment. This service includes the Panel Valuation Services provided to banks.

(c) **RPNZ:** RPNZ is a web site originally built for real estate agents and valuers. Both these customer groups like to have an ability to access large amount of property information across a suburb or council area as they look for comparable properties, properties that are likely to come on the market, properties that a buyer would be interested in or simply information on a subject property. These customers also seek a fixed cost per month but allow their staff to access the site whenever they want. The site is also an important part of the real estate agent's compliance process. It provides functionality so the agent can run a current market analysis which is required by regulation as part of listing a property. The site also allows real estate agents to order a title which again is a regulatory requirement. The site is also well used by mortgage brokers. A broker can tag properties

where their customer has a mortgage and be alerted when there is a change on the property that will be of interest eg the property is listed for sale in which case the broker will pay a visit to the owner to secure another mortgage sale. The corresponding Terralink product is Property Guru. The RPNZ products include:

(i) *CMA Report*: The Current Market Analysis (CMA) Report incorporates comparative recent sales and properties currently on the market to help property professionals and their clients set a price for their property. The CMA Report can include market statistics, demographic information, and property news.

(ii) *Prospector*: Targeted at real estate agents, Prospector captures properties that are currently on the market, using available online and published listings. Property Professionals use Prospector to:-

A stay abreast of the properties for sale in their area by other agencies,

B show sellers what is happening in the market,

C find people who are selling their property and see whether they have purchased another property;

D send targeted mailings to sellers,

E track property listings, prices, marketing networks and sales,

F monitor days on the market, actual sales price and percentage change from list price to actual sale price.

(iii) *Find your Next Listing*: A prospecting tool.

(iv) *Recent Sales*: Latest sales information

(v) *RPNZ iPhone App*: This gives Property Professionals property, at their fingertips with 24/7 access to RPNZ information.

(vi) *RPNZ Lister iPad App*: This application assists real estate agents win more listings with an interactive presentation tool that allows them to engage with vendors, combining their local expertise with RPNZ's property information.

(vii) *Interactive mapping*: This mapping function allows Property Professionals overlay property data onto cadastral maps and aerial photographs for a specified area.

(viii) *Training and Support*: Free online training and on-going support.

(d) **iAdvise:** iAdvise was specifically developed to meet the needs of mortgage brokers who use property information to add value to the service they provide to their clients. The comprehensive and current property information enables advisers to understand the property market in a suburb or neighbourhood, confirm individual property details, track their portfolio of clients to find out when particular properties come on the market or sell, and find prospective clients. This service is also provided to active property investors who are seeking regular information on properties they own or are looking to purchase. iAdvise is a slightly different version of RPNZ aimed at property investors who fall between a consumer and a SME type customer. PropertyIQ has been planning to discontinue this product

for some time and instead tailor qv.co.nz or RPNZ to suit property investors. The corresponding product in Terralink is Property Guru.

(e) **cityscope.co.nz:** CityScope is an online web site product that has very rich property information on inner city properties in Auckland, Wellington and Christchurch. It is used by property professionals who specialise in inner city property eg commercial agents and valuers and those parties who also service these properties eg property managers, facilities managers plus trades. A user can find tenants of buildings, directors of the companies who own the buildings, the manager of the building, square meterage of floor plates, type of lift etc. The data gathered for this product is collected via teams of researchers who walk the streets a number of times annually visiting all the properties. Terralink does not have a corresponding product. The information available on cityscope.co.nz is specifically tailored to the requirements of commercial property professionals. The Cityscope database contains valuable information on 2,300 commercial properties in central Auckland; 1,800 commercial properties in Wellington CBD; and 1,100 commercial properties in Christchurch CBD (pre-earthquake).

The Cityscope database provides a full description of the building including photographs. Information is also available on the occupants of the building, the building owner, sales history and the building services.

(f) **Valex:** Valex is an online panel valuation ordering system. It connects to qv.co.nz to provide this aspect of the overall service to banks. The system enables a valuation product (ValIQ or FMV) order from the likes of qv.co.nz to be managed. An order can be initiated by a consumer, banker, mortgage broker. That order is passed into Valex and the work flow is managed in this system. The resulting valuation product is passed back to the qv.co.nz system and displayed to the user. The system provides process control and surety of output that better manages risk and credit policy for a bank. Terralink does not have a corresponding product.

9.3 **PropertyIQ Customers:** PropertyIQ also provides customised data extracts and analytical solutions to both the corporate and public sectors. It supplies to its customers a wide range of property variables presented in ways to meet the varied needs of its customers, e.g. raw data, aggregated analysis, geo-spatial layers, imagery and more.

(a) **Banking:** The banking sector is PropertyIQ's most sophisticated customer segment. Products are often bespoke and highly technical. The service provision is at the consultancy end of the spectrum with an understanding required across the areas of lending, risk, property, valuation, addressing, and data for marketing. The PropertyIQ products assist the bank in the areas of risk, credit, customer acquisition, customer retention, compliance, sales, securitisation, marketing and operations.

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Banks also have their own internal analytics teams and that is a competitive constraint on the services provided by PropertyIQ to the banks.

One of the bespoke services is the Panel Valuation Service. PropertyIQ has established various panels of valuation firms in different parts of New Zealand to provide valuation reports through a web-based portal to

trading banks in New Zealand, in association with mortgage lending to their customers. The establishment of the Panel Valuation Service was in response to the needs of the banks to tighten risk management and supervision of loans, improve the bank customer experience, reduce the likelihood of transactional bias where a valuer and other interested parties coordinate, and to satisfy the due diligence requirements of purchasers of securitised mortgage securities who require evidence that the valuation and valuation process used to assess collateral value as part of the lending decision are robust.

The steps involved in the Panel Valuation Service are:

(i) A borrower approaches the bank seeking a mortgage and the bank assesses the credit worthiness of a borrower.

(ii) Based on the risk of the lending the bank chooses a valuation product to assess the value of the security. The bank chooses from a range of valuation products from sale and purchase agreement, rating value, automated valuation, desktop valuation or full valuation.

(iii) If a full valuation is required to support the particular lending decision, the bank informs the borrower. The borrower advises the bank that they wish to proceed and purchases the full valuation.

(iv) The system uses business logic to help choose the appropriate product and places an order for the product then chooses on a random basis an approved panel valuer in the postcode and assigns the job to the valuer.

(v) The valuer completes the valuation and loads the valuation report back into the system.

(vi) The system runs auto compliance, validation and verification checks against the valuation to check on accuracy and overall quality.

(vii) The system delivers the valuation report to the bank and the borrower.

(viii) The bank completes its assessment of lending risk and advises the borrower on the terms and conditions of the loan or declines the loan application.

PropertyIQ has been careful to price competitively its relatively new Panel Valuation Service (introduced in June 2012) in the full knowledge that there are many large, well-resourced and sophisticated competitors in the valuation industry capable of quickly adapting to replicate the model and offer competing services.

(b) **Insurance:** The insurance market is another sophisticated segment of the market and includes insurers, reinsurers and insurance brokers. Products are often bespoke and highly technical. The service provision is at the consultancy end of the spectrum requiring an understanding across the areas of insurance, risk, property, valuation, addressing, and data for marketing. Its products assist the insurer in the areas of risk management, customer acquisition, customer retention, compliance, sales, operations, and reinsurance.

For example, an insurer needs information such as floor area and the number of bedrooms in a house because that affects the sum insured

calculation. Insurers also require breadth of information so there may be 50 different risks and fields in the database, such as properties under high voltage lines, properties under cell towers or properties subject to a memorandum on the title that the insurer is interested in.

(c) **SME:** The SME customer segment covers a wide range of business types using the products. The focus is on the property professionals market and in particular real estate agents. The SME market has less sophistication and consequently the products tend to be pre-packaged web based tools for example to assist real estate agents acquire listings and purchasers. PropertyIQ services this market through the provision of three main products being rpnz.co, iadvise.co and qv.co. It also offers bespoke and custom services to the main franchise groups e.g. Harcourts. The custom work whilst in its infancy focuses on market share, sales efficiency and competitive positioning. Other customer groups within Property Professionals include; valuers, surveyors, architects, property consultants, lawyers, accountants, quantity surveyors, mortgage brokers, developers. The property service providers, e.g. trades fall within the broader SME market.

(d) **Consumer Products:** This customer segment has the least degree of sophistication and services are purchased on a casual per click basis through qv.co.nz, usually when the customer is in the market to buy and sell property.

(e) **Government Products:** The Government sector is wide and varied with most agencies having some interest in property either because their operations touch their own properties that they have interests in or because their customers' property interests are of interest to the agency.

Examples of Government use of PropertyIQ's services include:

(i) [

(ii)

(iii)

(iv)

(v)]

Government market products are normally bespoke and custom designed to solve specific business problems of the government agency.

Other Corporate Products: "Other corporates" normally includes any corporate with an interest in land e.g. insurance, ownership, lease, licence, easement - this includes telecommunications companies, utilities, retailers, and airports. "Other corporates" also includes businesses who are interested in where their own customers live and information about the property, for example a white ware retailer wanting to know the profile of its customers and their geographic location or simply to cleanse its customer address data.

PropertyIQ bespoke products are generally for sophisticated users although PropertyIQ will provide customer data searches down to a value of one to two thousand dollars. For example a property investor might want a custom report on value growth and yield growth by suburb based

on a particular property type. This job would be quoted based on the estimated time to be spent by a data analyst to produce the job plus peer review of the output. Sometimes a standard report can suffice instead of a custom job.

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(f) **Wholesale Data Sales Products:** All data and products are available to be provided to resellers, syndicators or partners. PropertyIQ's data supply licences can restrict the terms of resale PropertyIQ can offer. For example it is not licensed to use the building consent data it purchases from [ ] to repackage and sell as a lead generation product. Examples of resellers, syndicators and partners are:

(i) [

(ii)

(iii)

(iv)

(v)

(vi)

(vii)

(viii)]

9.4 **Terralink Overview**

Terralink is one of New Zealand's leading provider of geospatial data, services and solutions. Terralink has expertise in location based intelligence. This includes the ability to spatialise data. This means that by taking any piece of data and establishing where in the world its actual position is and then providing a user the ability to view and understand where that data point is, is spatialising data. An example would be an actual house. Terralink would know the GPS coordinates of the property boundaries, the GPS coordinates of the corners of the house including the roof heights would also be known. This data can then be presented to a user via a web enabled spatial viewer so the user can pan and zoom an image of the house on the user's property in the position and scale which accurately reflects what exists. This capability requires a range of skill sets and can be used for any physical item eg house, lamp post, stop sign, pothole, tree, curb, power line, people etc.

Terralink's technology and skills enables it to visualise all information spatially and to select information important to businesses for decision making. For example an insurer can be given a report with heat maps showing streets and their concentration of risk – hazards are shown visually such as houses insured with that insurer within a certain distance of a river bank and therefore vulnerable to flooding.

9.5 **Terralink Services:** These include:

(a) **Terranet (www.terranet.co.nz)** an online website for corporate users providing property information reports. Customers can order online reports such as:

(i) Property Sales Reports: The sales history of a property, including the rateable value at the time of sale. Provides details on the land and floor area, the number of parking spaces, as well as the building age, and the construction and condition of a property.

(ii) Automated Valuation Reports: The Home Valuer Report provides an estimated valuation of any residential property in New Zealand, which is generated using Terranet's AVM. Using the latest technology and predictive modelling techniques, together with Terralink's unique property data and industry expertise, the Home Valuer estimates a property's value.

(iii) Property Title Report: Provides a snapshot of the property title information from a property's certificate of title, including the legal owners of the property.

(iv) Property Title Transaction Report: Provides an overview of any interests registered against the property on the certificate of title, including any historical transactions. This includes memorials such as leases, transfers in ownership, mortgages, caveats and easements.

(v) Up to 10 Recent Sales within One Km in the Last 12 Months: Provides a detailed list of up to 10 of the most recent registered sales occurring within one km of the searched property.

(vi) Building Consents Report: Provides a list of building consents registered against a property and held by the local council since 1999.

(vii) Aerial Photo plus Property Boundaries: Provides a high resolution aerial photograph of the searched property, with the legal property boundaries transposed over the aerial image. Also provides a summary of the property information, including search criteria, the date of the image, and the date the report was created. There is also market rent information for a suburb (free to Terranet users and provided by the Department of Building and Housing), and schools and school zones relating to a property (also provided free to Terranet users).

(b) **Zoodle (www.zoodle.co.nz)** an online website for consumers providing free suburb and property information as well as paid reports. For example consumers looking to buy a house may initially access Zoodle's free content on the desirability of living in a particular suburb and then seek to upgrade to a paid report for more information. The available reports include:

(i) Basic Property Report: Property description, aerial and boundary details, street map, school map, names of local primary/intermediate schools and secondary schools, and distances from property; market insight information such as local listings, property sales, median days to sell, median sales price and new rentals; and demographic data sourced from the New Zealand Census which are plotted on the map with full address details.

(ii) Home Valuer Report: Provides an estimate of the current market value of a property together with comparable local sales, rateable value, memorials and title details.

(iii) Comprehensive Property Report: Combines Zoodle's free information, comprehensive local sales information, larger maps and more suburb information.

(c) **Property-Guru (www.property-guru.co.nz)** an online subscription property information website for property professionals. This has a separate product for real estate agents, valuers, developers, and investors. The online tool property professionals with access to the most accurate and up to date property information including comparable sales information, property boundaries, aerial photos, valuation, titles, and ownership information about every available New Zealand property, street and neighbourhood. Add on modules include:

(i) *Signature* – customisable CMA reports to help Property Professionals win more listings and clients;

(ii) *Market Watch* – an integrated view on properties that are currently or have recently been listed on the market. There are currently over 80,000 properties for sale or rent in Market Watch and more that 1.4 million historical listings.

(iii) *Aerial Prospector and mapping* – aerial photography combined with Property Guru's interactive mapping solution which allows the customer to view land and property information spatially.

(iv) *Legal documents* – customers can order certificates of title and ownership information.

(d) **eMap (www.emap.co.nz)** an online subscription GIS (Geographical Information System) platform containing NZMasterMap integrated data layers. This product enables customers to add their own data layers into the tool and to then view reports. The product is targeted at SME customers as well as large enterprise size customers. There are three different versions for SMEs that are scalable to the largest corporate enterprises. As Google increases its prices for its competing product, sales of eMap have gone up, particularly to customers such as TradeMe, Yellow Pages, and real estate agents. Other competitors are Bing and ELSRI on line.

(e) **TerraView Platinum (TVP)** an offline subscription DVD based 'mini' GIS system containing geographical data layers with user functionality.

(f) **Data and Data Services:** These include:

NZMasterMap: An integrated geospatial dataset of layers including:

- Roads, including for in car navigation
- Physical in use addresses
- Points of Interest
- High resolution imagery
- Topographical and contour
- StreetMaps
- Cadastre
- Certificate of Title
- Administration catchments
- Matched spatial parcel/title layer
- Landcover
- Land Use

(g) **TerraBank:** A suite of customised data analytics tables and outputs provided as required for banking and finance sector, including consultancy projects.

(h) **TerraMatch:** IP consisting of an improved match of the government's title, spatial parcel representation.

(i) **Projects:** A range of project work is carried out for customers such as cartography preparation of Digital Terrain Models, building footprints for local authorities, or cluster data projects for telecommunication companies, and data analytics.

(j) **Data cleansing and geocoding.** Provides services for cleaning and geocoding customer databases.

(k) **Hosting/replication Services:** Provision of data hosting services and data replication services for customers.

(l) **StreetCam3D:** StreetCam3D is a dataset of 3D LIDAR with associated 360 degree streetscape imagery.

(m) **Geospatial Solutions:** This division is a consultancy division which provides consultancy to organisations relating to geospatial data or location business intelligence.

(n) **Web mapping services and XML data feeds:** Provision of automated web mapping services and data feeds to end users and channel partners.

(o) **Address Right:** Application for address verification.

9.6 Approximately [ ]% of Terralink's revenue is derived from Terranet, Zoodle and Property-Guru, and approximately [ ]% from its geospatial services.

10. Description of industry

10.1 There are a number of companies in New Zealand, with different core businesses that compile databases of property and land information. These databases may be used to supply a variety of products and services derived from that property and land data, but equally the databases may be a by-product of that company's core business.

10.2 There are a number of companies that compile databases of land information using spatial information technology. These companies provide a broader range of products and services than in paragraph 10.1, particularly in providing geospatial consultancy, services and solutions.

10.3 There is also the emergence of companies that provide derivative products (products based on property and land information databases) at little or no charge, in order to support business models based on obtaining revenue from other sources.

10.4 The property and land information in these databases is compiled from a variety of sources, some of which are public (or generally accessible) and other sources that are only accessible to companies in specific industries.

10.5 Examples of the sources from which property information databases are compiled include the following:

(a) Government departments including LINZ;

(b) Councils;

(c) Publicly available sources which include newspapers and property listing web sites containing advertisements with descriptions of properties (including attributes of those properties such as the number of bedrooms and bathrooms etc) as well as often containing sale prices, publicly available property brochures/magazines, and the like;

(d) Information obtained in the course of the company's business, for example:

(i) companies (such as PropertyIQ) that provide web based property information services to industries such as the real estate industry are often provided with updated property information from those sources;

(ii) intermediaries and service providers such as mortgage brokers, valuers, surveyors and insurance brokers are often provided with property information by the service providers to whom they provide services;

(iii) loan mortgage insurers obtain property information from Banks and other financial institutions in order to provide mortgage insurance; and

(e) Information actively gathered by companies e.g. Google's "street view" service or from the global satellite imagery providers such as Digital Globe.

10.6 Market pricing for property information services will be affected by DVR data becoming effectively free or charged at lower prices by the Councils.

10.7 The broader property information industry is evolving with new entrants becoming active in the market. There is a growing trend towards leveraging property and land information databases to compete in different industries. For example in Australia Fairfax/APM owns an extensive property information database (assisted by the gathering of property attribute data through its property for sale listings business domain.com.au). Fairfax/APM offers property information and reports to real estate agents for free, on the condition that those real estate agents sign up for a specified amount of advertising on domain.com.au, Fairfax's property listing web site. Similarly, in New Zealand, TradeMe charges real estate agents a modest monthly fixed fee for unlimited listings to increase listings and attract more users to the site. As a consequence, TradeMe has built a database of current valuation, land area, house area, bedrooms and asking price. This database has become a part substitute for publicly available data such as the DVR data and competes with PropertyIQ's business.

10.8 The other trend in the property information industry is the increasing commoditisation of property and land data. A large amount of property information is currently available online without charge (for varying reasons, including Government departments and local councils deciding to make information publicly available and private companies trying to entice customer acquisitions or build loyalty). For example, Councils are rapidly moving to make their imagery freely available under "creative commons" licence. Market pricing will be affected by DVR data becoming available at lower prices or effectively free.

10.9 With property information becoming increasingly commoditised, PropertyIQ expects that the business models of all property and land information providers will concentrate increasingly on the ways in which they can add value to that property and land information data (in particular, the development and improvement of analytics products based upon that property information data).

10.10 The merged entity proposes to offset the commoditisation of textual property and land data by expansion in the spatial information part of its business. This is the application of spatial information technology or "location business intelligence". The demand by customers for location business intelligence as well as the accelerating trend for users to prefer access to their solutions via mobile devices can be anticipated with the rapid increase in use of Smartphones, as evidenced by the following statistics:

(a) By 2016, nearly 3 in 5 consumers will have a Smartphone

(b) 1.2 billion apps were downloaded during 25-31 December 2011

(c) 55% of mobile owners access mobile web

(d) Smartphone and tablets will increase Web traffic by 26 times during the next 4 years

(e) 74% of mobile users use their Smartphones for location related information

11. **How sales are made**

11.1 PropertyIQ needs to be efficient, innovative and low cost to gain and retain customers. Any reduction in the quality of services provided or any increase in prices without improved performance or products is considered likely to result in customers switching to other service providers.

11.2 PropertyIQ offers its property and land information services to a very diverse customer base across many different industries. The sales models vary from that designed to sell standard reports to highly sophisticated tailored solutions sold via a solution selling engagement model utilising the wider group expertise. The customers can be segmented into the following groups (with examples of customers in those segments):

(a) **SME**

[

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This segment of the market is characterised as having mid levels of sophistication and fairly standardised product selection with limited volumes of bespoke products and services. The market consists of real estate agents, valuers, surveyors, accountants, lawyers, developers, mortgage brokers, architects). Competitive tenders or RFPs are the norm.

The majority of sales in the property professionals segment of the market are to real estate agency offices. A limited number of sales are made to the Group or Franchise Head Offices. PropertyIQ has also recently introduced sales to individual real estate agents.

(b) **Wholesale (reseller-partner-syndicator- RPS)**

[

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This segment of the market has a mid-level of sophistication with the data supply focused on address, value and property attribute data sets. Competitive tenders or RFP are the norm. Other key parts of these relationships can be respective channels, branding, specific data exchange, expertise and other assets that the respective parties can bring together.

(c) **Consumer**

[

]

This segment of the market has low levels of sophistication at the end-customer level with the product standardised and simplified as much as

possible. The running of the business has high levels of sophistication as the business is one of e-retailing. A direct and indirect sale model is utilised. Customers will shop on price, content, and ease of use. Channel to market which delivers consumer visitors is important. The large channels are TradeMe, realestate.co.nz, Yellow Pages, New Zealand Herald, PropertyPress Google and the larger real estate sites such as Harcourts.co.nz.

(d) **Banking**

[

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This segment of the market is highly sophisticated with many data sets and high end mathematics and analysis being utilised to derive value for the customer. Many products are bespoke in nature and highly tailored to resolve complex business problems. Competitive tenders or RFPs are common.

This segment of the market also includes second tier banks and non bank lenders such as Sovereign, NZ Home Loans, Resimac, Heartland, PSIS and others.

(e) **Insurance**

[

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This segment of the market is at the high end of sophistication with a focus on risk and actuarial risk. A range of data sets and heavy analytics are utilised to add value. Tenders or RFPs are common.

This segment of the market also includes the re-insurers such as [ ].

(f) **Government and SME**

[

]

This segment of the market has a mid level of sophistication. Most products are bespoke in nature tailored to solve a business problem. Competitive tenders or RFPs are common.

11.3 Sales can be made by customers directly contacting and engaging the services of PropertyIQ or sales people contacting potential customers.

11.4 It is common for customers to engage PropertyIQ on a contractual basis. Contract terms typically vary between no term commitment to three years. When customer contracts come up for renewal, customers will normally seek renewed pricing information from different service providers who offer the

services required. As a result of this process, customers can be retained or competitors can win these contracts.

12. **PropertyIQ's Costs**

12.1 [

12.2

12.3

]

13. **PropertyIQ's Pricing**

13.1 In **Appendix 4,** the pricing for PropertyIQ's products are set out in spread-sheets.

14. **Development of Property Databases**

14.1 Although the value of a property database normally increases with its size, history, and accuracy over time, the increasing free publication of data by government agencies and Councils undermines the value of existing databases and makes it easier for entry and expansion by competitors in the relevant markets. Similarly it enables rivals to the merged entity to compete for particular types of business with much more modest databases.

14.2 Both PropertyIQ and Terralink databases are developed from multiple sources. Some of the key sources are publicly available data sets from Council, LINZ, NZ Post, and the Ministry of Business, Innovation and Employment (MBIE). These are freely available. The mandate from central government for data to be made more freely available is taking effect. An example is Auckland and Wellington Councils both recently providing data to competitors at much lower cost than what they have traditionally charged. Another example is Auckland Regional Council which traditionally sought $[ ]for a supply of its aerial images of Auckland region. This price has now dropped dramatically to around $[ ]. Also LINZ is making more and more data available for very low cost and making it easily accessible eg titles and cadastral data.

14.3 There is also TradeMe making its property listings data freely available via an API. This data enriches other data bases with property attributes, photographs and other value adds.

14.4 Google is collecting data and giving it away. Technology will soon allow property attributes to be produced or derived from images that Google is extremely prolific at collecting.

14.5 Data sets important to PropertyIQ's business are:

- District Valuation Role ownership;
- District Valuation role sales;
- LINZ Cadastra; LINZ titles;

- NZ Post addresses;
- Fire Service Suburb Boundaries;
- Property Listings for sale;
- Real Estate agent advised recent sales;
- Hazard including tsunami, earthquake, flood, landslide;
- Building consents;
- School zones;
- Images including interior and external;
- Aerials;
- Street view;
- Census,
- Commercial building data

14.6 Data sets important to the merged entity's business are:

- The data in paragraph 14.5;
- Addressing;
- Land cover;
- LIDAR;
- Topographical;
- Building location;
- Road centre line;
- Road navigation attributes;
- Terrain information;
- Soil types;
- Climate information;
- Points of Interest;
- Hydrological features;
- Electoral boundaries;
- Land use;
- Rail lines.

15. **Current industry trends and developments**

15.1 The market is extremely dynamic. This is due to:

(a) **Technology advances:** Increases in the ability to capture, manage and distribute data faster, cheaper and easier is a global trend. This allows startups to commence quickly and at a relatively low cost.

(b) **Proliferation of commercial models:** There are many different commercial models operating globally and these can easily be copied by startups or existing players. The new commercial models challenge the existing market dynamics.

(c) **Connectivity across market segments:** There is a high degree of connectivity across participants in the segments e.g. bank, lawyer, real

estate agent, valuer, and consumer all of whom are involved in the same transaction. This means commercial models can leverage off these relationships and pitch an offer at one party to access another.

(d) **The race to attract and keep the customer:** Each business is competing to be the best at attracting the customers to their web presence. Various parties have advantages e.g. TradeMe, Google, Facebook and real estate agents are publishers with a significant reach which provides strong presence in the market place.

(e) **Data availability and substitutability:** Data is being constantly improved but is also being commoditised. A number of data sets - and within a set, data fields - are being substituted by others. The ability to differentiate the offer through data is decreasing. The addition of particular fields in a data set can dramatically change the playing field.

(f) **Cloud based tools:** With most services being hosted cloud web based tools, the ability of the customer to swap providers is increasing.

(g) **Increasing channels:** Global players such as Google can by default develop new ways for web users interacting and this creates new channels. This can and does change user behaviour making it more or less difficult to attract new customers.

(h) **Government policy:** The Government mandate to make more and more data freely available. Free data from Government means the taxpayer foots the bill rather than the business that is using it. Depending on the data set or data field in question this can change the commercial models overnight. An example of this affecting the market is the ANZ Bank and the ASB bank analytics teams now take LINZ property data direct, therefore bypassing a property information service provider's offering.

(i) **Contract review of collection methods:** The way in which data is collected and commercialised is constantly under review. At present a strategic review of LINZ may result in significant changes to how ownership, sales, titles, parcels, addressing and imagery and geospatial data is collected and commercialised in New Zealand. There is also a LINZ review of rating valuations including the data collected as a result. This review may result in significant changes to how rating valuation data is collected and commercialised in New Zealand. Notably LINZ is proposing in its statement of intent (May 2013) a "one stop property shop".

(j) **Growth in the mobility market:** The global growth in the mobility market with the increasing prevalence of smart phones and their apps which require property and land data to power the use of location based intelligence delivered to a mobile smart device that can deliver value to the end customer.

16. Recent mergers in the industry

16.1 Terralink, in a joint venture, (45% shareholding) created Zoodle Limited in 2009 and subsequently increased its shareholding to 100% in June 2012. The asset of www.zoodle.co.nz was then transferred to Terralink.

16.2 Explorer Graphics Limited, a Wellington based GIS company merged with an American company to form North South GIS Limited in 2005.

Part 4: Market Definition

HORIZONTAL AGGREGATION

17. **Market definition**

17.1 In defining the market for the purposes of this application, PropertyIQ has applied the test of what is "the field of actual and potential transactions between buyers and sellers amongst whom there can be strong substitution, at least in the long run, if given a sufficient price incentive"? For the reasons set out below PropertyIQ believes it is appropriate to view the proposed acquisition as occurring in the context of a property and land information services market which can be further delineated into the following markets based upon the product dimension of the market:

(a) Consumer Property Reports;

(b) Property Professionals Information Services;

(c) Corporate Property Information Services; and

(d) Geospatial Data Services.

17.2 In viewing the market, PropertyIQ considers it reasonable that emphasis should be placed on supply-side substitutability. In other words, the core property information facilities are the existing means of production of suppliers. Each supplier with the core property information facilities is able to develop and introduce new services provided by the core property information facilities over time and is able to switch or expand the services it offers to meet customer demand.

17.3 Given the particular characteristics of the property and land information industry, PropertyIQ submits the following factors are critical:

(a) the innovative, dynamic, technology based nature of the industry that provides high probability of disruptive participants using technology and alternative commercial models to challenge existing participants;

(b) the degree of supply-side substitutability;

(c) the expanding nature of services that can be provided from a core set of underlying inputs, namely:

(i) an effective property and land information database;

(ii) an ability to ensure that the database is continually developed and expanded so as to be accurate and current; and

(iii) the information technology (including algorithms, models and other intellectual property) necessary to facilitate the commercialisation of such a database.

17.4 PropertyIQ has adopted the more conservative approach of assuming that there is a separate market in each of the products of Consumer Property Reports, Property Professionals Information Services, Corporate Property Information Services, and Geospatial Data Services on the basis that if there is no substantial lessening of competition in those narrowly defined markets, there is unlikely to be a substantial lessening of competition in a more broadly defined market of property and land information services.

17.5 In terms of the functional dimension, the majority of products and services derived from property and land information databases are provided at the retail functional level. In addition, there are some wholesale products derived from property and land information databases. For this reason, PropertyIQ considers there is a fifth market to be considered in this application and that is the wholesale property information market.

17.6 PropertyIQ and Terralink provide services to corporate, business and government customers which are distinctly different from the services received by consumers, but that reality delineates the market's product dimension, not a customer dimension. The customer dimension does not arise in defining the market because PropertyIQ and Terralink do not have the ability to charge different prices to different customers for the same product.

17.7 In terms of the geographic dimension, PropertyIQ submits that the market is national.

17.8 The demand-side behaviour identifies different groupings of significant buyers of property information services which led PropertyIQ to identify different customer segments comprising:

(a) Consumer/Public;

(b) Finance;

(c) Property Investors;

(d) Wholesale Data;

(e) Property Professionals; and

(f) Government, Corporate and SME's.

17.9 These customer segments have been used in this Application to delineate the various aspects of the businesses of PropertyIQ and Terralink and the matrix of product offerings.

17.10 PropertyIQ submits that there are no distinct temporal dimensions to the market.

17.11 The national property and land information services market operates at a number of levels, with a range of wholesale and retail services being provided to a range of customers right across the spectrum of the economy. However, the reality is that the competition analysis is generic across all of these segments: there are a range of existing players; low barriers to entry means there is strong constraint from potential competition; and strong countervailing market power vests in all customers who retain the ability the self-provide these services. In that context, given that market definition is merely a tool for isolating competition effects, PropertyIQ does not think the Commission's analysis will be improved by further distilling a vast range of segments into formal markets beyond those PropertyIQ has identified for the purposes of this application.

17.12 In **Appendix 5,** PropertyIQ has provided a table setting out the areas of the market in which there is overlap between the two businesses.

17.13 Essentially, overlap exists in the following products:

(a) PropertyIQ's RPNZ product overlaps with Terralink's Property Guru product in the Property Professionals Information Services market;

(b) PropertyIQ's qv.co.nz product overlaps with Terralink's Terranet and Zoodle products in the Consumer Property Reports and Corporate Property Information Services markets. Each company tends to be better

suited to particular customer groups based on functionality and customer service to resolve a specific business issue.

Those products have the same basic features and are powered by the same information with the key data being the LINZ, Council DVR and NZ Post data (all freely available). Each of the products has its own enhancements and the desirability of the product comes down to the user interface, usability of products and customer service. They offer a similar range of reports although packaged differently. Examples of competitors that could add to their own data bases to compete with these products are REINZ, Headway, and Data Insight. REINZ could add to their own database by adding more Council, LINZ and NZ Post data. Headway is collecting Council data and REINZ data. Data Insight is using LINZ data and probably NZ Post data and is working closely with REINZ. To a lesser extent there are the likes of Acxiom and Experian both of whom are global database businesses which currently have a relatively small presence in New Zealand. They could easily commence collecting more property data and offering competing products.

17.14 PropertyIQ's custom bespoke work seldom overlaps with that of Terralink's. PropertyIQ's bespoke work is usually data analysis to the banking, finance and insurance industry whereas Terralink has a wider selection of data and its bespoke work is usually geospatial work for different sectors.

17.15 **Appendix 6** shows the relationship between the key participants in the market, with PropertyIQ's competitors and Terralink's competitors shown in separate diagrams. **Appendix 7** shows the range of products and services in the market.

VERTICAL INTEGRATION

18. **Details of any creation or strengthening of vertical integration that would result from the proposed merger.**

18.1 There is no creation or strengthening of any vertical integration. [

].

18.2 After the acquisition there will be constraints placed on the merged entity's ability to increase prices because of a number of factors:

(a) [

];

(b) REINZ compiles a substitute set of sales data from its individual members and makes this data available to its members. REINZ data is more current and up to date which gives them an advantage. The key difference lies in the earlier reporting of sales by real estate agents to REINZ after a sale and purchase agreement goes unconditional. On the other hand, PropertyIQ receives the sales information via the Council DVR data only after settlement has taken place and the change of ownership has been notified to the Council;

(c) Certain elements of this data is available from LINZ;

(d) the Government is able to aggregate the DVR data and make it available at no cost in the future; and

(e) TradeMe provides its listing data for free and this data includes elements of valuation data ultimately sourced from Council.

18.3 PropertyIQ submits that at the wholesale level the competitive situation is the same in both the factual and the counterfactual, that is the same constraints are at play whether PropertyIQ and Terralink merge or remain as separate entities.

Part 5: Counterfactual

19. **Description of what is likely to happen to the business operations of the merger parties and the market/industry in the event that the proposed merger does not take place.**

19.1 If the proposed transaction does not take place the status quo is likely to remain with both PropertyIQ and Terralink continuing to come under pressure from three main factors:

(a) by increasing numbers of local competitors who will have increasingly free access to data as the Government improves its own data sets, and also opens up access to these datasets which will impact on PropertyIQ and Terralink, who have been providers of many of these fit for purpose datasets for New Zealand organisations;

(b) Increased competition as increased convergence of technology will enable many new competitors to quickly and cost effectively develop products using the data available and enter into the markets that PropertyIQ and Terralink operate in; and

(c) Global players such as Bing, Google and ESRI ArcGis online, are able to operate on a global basis on a scale that smaller New Zealand companies cannot compete with.

(d) Australian players such as APM, PDS, OnTheHouse, HomeTrack and others who are expanding their regional footprint and who can enter the New Zealand market with scale and capitalise on relationships with Australian head offices.

19.2 In the counterfactual, PropertyIQ would respond to these competitive pressures by seeking:

(a) [

(b)

(c)

(d)

(e)

(f)]

19.3 None of these of these outcomes (other than the separate existence of both Property IQ and Terralink) are unique to the counterfactual. They will all feature strongly in the factual scenario as the prevailing competitive pressures will be unaffected by the acquisition.

Part 6: Competition Analysis

CONSUMER PROPERTY REPORTS

Existing Competitors

20. **Identities of relevant competitors in the market and how they all compete in the market.**

20.1 The demand-side behaviour and property information needs of different groupings of significant buyers of property information services has led PropertyIQ to identify one significant customer segment as Consumer/Public. The product supplied to this segment is relatively unsophisticated with the product generally standardised. For this reason this market has been identified in this application as the Consumer Property Reports market.

20.2 The transaction proposed will not result in a substantial lessening of competition in the Consumer Property Reports market. The overlap between PropertyIQ and Terralink post acquisition will be constrained by the large number of very well resourced competitors, and the increasing commoditisation of the property information in this market.

20.3 PropertyIQ's products in this market include qv.co.nz and iAdvise. This is a low sophistication market so the products are invariably standard. Both qv.co.nz and iAdvise compete against LINZ and Council sites as both provide base property information. The two products also compete against Google and other mapping and location products for satisfying customers on location based questions. The products compete against the two main listing portals being TradeMe and Realestate.co.nz to satisfy the information on property for sale. The products also compete against Watchmystreet and Freereports which provide services to consumers seeking information on properties for sale.

20.4 **LINZ** manages both the Titles and Cadastral databases which are public registers and which underpin the management and supply of property data to the New Zealand market. LINZ enables direct public access and online credit card purchase through the LINZ website to a range of title documents and instruments across every property in the country (current and historic). LINZ also supports the supply to the Consumer market through providing a monthly bulk database supply of all title and cadastral data for the whole of country at cost of extraction, supporting the use of the base property data to new market entrants. LINZ is also at the forefront of moves to open greater public access to public register data.

20.5 **Google** is the leading global player in utilising search engine functionality and matching it and aggregating it to multiple data sources to drive customer use; and then monetise that use. Over a very short time period Google has created a massive New Zealand property dataset linked to mapping and property imagery. Google utilises its global technology capability and innovation; its investment power; and its significant commercial relationships to trial offerings at local and regional levels and then roll out global/local models extremely quickly and at levels that local competitors struggle to match. Google has already undertaken a trial of property listings in the New Zealand market which appears to have gone on hold. Its penetration and use by most New Zealanders, along with the underlying base property dataset it holds to support its mapping ideally

places Google to commercialise property offering direct to the New Zealand consumer.

20.6 **Councils:** Almost every territorial local authority provides free online access to base district valuation roll data to any visitor to their Council website. Councils are legislatively required under the Local Government (Rating) Act 2002 to make a copy of every property's rates record available for public view free of charge. Online website access is the most cost effective and efficient method of doing this and every Council enables this at different levels. Every Council provides all the underlying property data for every property from the District Valuation Roll; and many enhance this with mapping layers; sales records and refined search capability. This is the very data they license to entities like PropertyIQ at a range of commercial fees for bulk supply, but that they provide free at single property search.

20.7 **QuickMap:** Quickmap provides unlimited access to sales and property information throughout New Zealand including Electronic House Valuer, owner, title and building details, House-Finder and aerial photos, maps and other property details. QuickMap is provided by Custom Software Limited, a Wellington-based company established in 1996. With over 20,000 PC's registered with QuickMap each year, Custom Software Ltd is one of the largest providers of this type of information. The property information is delivered and updated by CD-ROM.

20.8 **TradeMe Property:** TradeMe is an online auction site founded in 1999 and acquired by Fairfax in 2006. TradeMe Property was launched in 2005 listing properties for sale and rent around New Zealand. TradeMe Property features private sales as well as agent listings. TradeMe currently has 2.5 million registered users and 5.5 million auctions listed per month. TradeMe maintains a comprehensive property data set of for sale properties with extensive data fields being maintained. The information includes data fields sourced from Government and private sources.

20.9 **Value My Home:** Valuemyhome.co.nz is a free property service and provides visitors to the site with a market analysis or CMA from a Real Estate professional and comparable property sales in their area. Visitors are also provided with tools to allow them to calculate mortgage repayments and consider finance options. The website sells advertisement space on the site to generate revenue.

20.10 **WhatPriceMyHouse:** WhatPriceMyHouse websites (including WhatPriceMyHouse.com, WhatPriceMyHouse.com.au, and WhatPriceMyHouse.co.nz) are websites of Mayfair Property Group Pty Ltd. The websites provides visitors to the site with comparable house prices free of charge. Visitors are asked to provide their contact details which are then passed on to a local real estate representative who will contact them and complete a "Comparable Sales Report". Visitors also have the option of having a full comprehensive report provided by a member agent who will undertake an inspection of the property and provide a more tailored report.

20.11 **Propertytoolbox.co.nz:** Propertytoolbox is a New Zealand based company that provides independent property information and resources for New Zealand home buyers. The information is available through comprehensive website content, promotions and advertising. Propertytoolbox is also the company behind Propertyvaluationnz.co.nz, a website dedicated to profiling registered property valuers and providing information about property valuation in New Zealand.

20.12 **Streetvalue.co.nz:** StreetValue offers free property reports to people buying or selling properties throughout New Zealand. These reports include summaries of rental market rates for similar properties in the area, parcel and title information

about the property, a community profile and school zoning information. StreetValue's reports are built by Icepick Communications, a specialist geospatial firm servicing the real estate industry. The Market Rent data used by StreetValue is gathered from bonds lodged at the Tenancy Services Centre.

20.13 **Legalsearch.co.nz:** Legalsearch is a website of Title Search Ltd (formerly known as Legal Search Bureau). Legalsearch specializes in property searches on properties nationwide in New Zealand. Property titles and property information are provided to visitors to the site on request. Legalsearch sources their property titles and information from Landonline and Land Information New Zealand (LINZ). Searches provided by legalsearch include Current Title/Computer Register, Instrument, Parcel View, Spatial View, Title Plan, Survey Plan, and Nominal List. All searches cost $15.00.

20.14 **Open2view.com:** Open2view operates as a franchise around New Zealand and provides professional property photographers to sellers. Specialist photographers visit and photograph properties. The properties are then listed on Open2View.com and the photographs are available on line. Various packages are available ranging from $150-$700 offering photographs, 360 degree virtual reality photographs, dusk/night shots, aerial shots, elevated photography, full screen walk through and floor plans. Open2view maintain a database of properties for sale including a wide range of property attributes and associated data fields.

20.15 **Eastbournesearch.co.nz:** Eastbourne Search Ltd offers LINZ record searches (including title, historical, Crown grant, sales detail, ratings valuation, prior ownership, land plans, deeds index, nominal land and mass block searches) and private investigator services. Eastbourne Search Ltd was formed primarily to service Lower Hutt and lower North Island clients who did not employ their own search clerk but now provides nationwide services. Eastbourne Search Ltd has registered user access to a range of user pay websites. It is also able to provide PPSR information, company, bankruptcy and insolvency information, archives New Zealand research and Courts due diligence searches.

20.16 **PropertySuite:** PropertySuite is a web based real estate management system which provides a single point of entry for every aspect of the real estate business. PropertySuite provides accurate and real time data on all aspects of the real estate business, including up-to-the-minute listings by all agents, the current status of each listing, all related documentation for each individual property and all financial transactions, both incoming and outgoing. PropertySuite also keeps agents, their administration team and management up to date with sales performance by using automated reminders and providing step-by-step processes for all stages of settlement.

20.17 **OSL Real Estate Information Solutions:** OSL provides subscription software hosted in the 'cloud' for real estate offices and real estate agents. Clients are charged a monthly fee for use of the software, support and future upgrades.

20.18 **Onthehouse.com.au:** Onthehouse.com.au is part of the onthehouse Real Estate Group. The website provides real estate information to real estate agents and buyers and sellers in both Australia and New Zealand. Real estate agents are able to list properties for free on the website, access the comparative market, analysis reports, local area reports, sales data reports and allow agents to promote which properties they have sold.

20.19 **Realestate.co.nz** is an online listing properties for sale and rent around New Zealand. Owned 50% by REINZ and 50% by a group of real estate companies. Realestate.co.nz maintains a comprehensive property data set of for sale properties with extensive data fields being maintained. The information includes data fields sourced from Government and private sources. The same owners

also own the REINZ property database and can improve data and services through combining the two.

20.20 **Investar** is an Australian owned business operating in New Zealand. It has an online data product aimed firstly at investors, however its product is now touching on consumers.

20.21 **Onthehouse Real Estate Group** is also a shareholder of Residex, a house price information provider, Portplus, an online real estate software provider and Console, a real estate software provider.

20.22 **Freereports.co.nz** is another free model available to consumers but paid for by the real estate agents.

20.23 **APN News & Media Limited** the Australian and New Zealand media company is also looking to develop its own property listing site in competition with qv.co.nz and Zoodle.

20.24 **Veda** is one of three approved credit bureaus. Their main focus is credit data but they provide property information to consumers.

20.25 **Watchmystreet** is a web site providing property information for free. The information provision is used as a lead generation for a new model of real estate agency whereby almost the activities and contact is completed online.

Market Share

21. **Outline of the estimated market shares in terms of sales, and, where relevant, volume and productive capacity, of the merger parties and competitors identified above.**

21.1 It is important to note that the market shares are very difficult to establish because:

(a) Councils who compete in all market segments charge for the property information from their web sites through their general rates charges to property owners Councils are offering more and more via their web sites in terms of property information which competes with PropertyIQ's and Terralink's products. The latest example is Queenstown Lakes District Council adding new types of data and mapping and functionality to their web site which increased their competitive offer;

(b) Google, which competes in all market segments, charges for the provision of property information services through its lead generation and advertising model and not as a direct chargeable service;

(c) TradeMe, realestate.co.nz and Real Estate Agents who compete in all markets charge for their property information services via their charge to sellers or Real Estate Agents of property to list the sellers property on their web site;

(d) REINZ, which competes in all market segments charges some customers eg real estate agents and valuers via a general REINZ membership fee;

(e) Freereports.co.nz which competes in the consumer market provides data to consumers for free and charges realestate agents for the aggregation and display of the data

(f) LINZ who compete in all markets charges for its products but does not charge a rate to provide a commercial return as LINZ also receive funding

from the consolidated fund from Government. The direct charges for information provide only part of LINZ funding.

(g) Whatpricemyhouse, valuemyhome, watchmystreet and others provide information for free and earn their revenue from lead generation rather than selling information reports directly.

(h) Real Estate Agents provide information as part of their listing and selling service. Large groups such as Harcourts have the more sophisticated offers. Agents use information provision as a lead generation tool.

(i) Valuers compete at the upper end with high service product involving professional services but ultimately providing a property information output for consumers.

(j) Cordells who aggregate building data and supply this in conjunction with web based functionality for a fee to insurance companies and banks who can then provide this information and service to consumers for free. eg most banks and insurers now use the Cordells cost calculator and data and provide this for free to consumers. This free service competes with PropertyIQ's and Terralink's products.

21.2 In the context of paragraph 21.1, the market share of the merged entity has been estimated by the Applicant in the following Tables 1 and 2; first by revenue and then by customer numbers. Table 1 only shows those competitors where revenue can be estimated. For those competitors who work on lead generation models, advertising models, publishing models or other models, the revenue cannot be calculated.

21.3 The market share of the Councils includes the supply of LIM reports (in which Councils are increasingly digitising more of the data sets that make up the LIM). This is because PropertyIQ's products are part substitutes for LIMs and PropertyIQ's range of competing services will continue to increase, particularly to provide the required degree of confidence around risks on a property. Examples of the data sets PropertyIQ holds and supplies which are part substitutes for LIMs are:

(a) [
(b)
(c)
(d)
(e)
(f)
(g)
(h)
(i)]

Table 1 - Consumer Property Reports Market - Revenue

Market Shares by Revenue			
RANK	**COMPETITORS (INCLUDING MERGER PARTIES)**	**ESTIMATED REVENUE $ million**	**ESTIMATED % OF MARKET SHARE BY REVENUE**
1	[ ]	[ ]	[ ]
2	[ ]	[ ]	[ ]
3	[ ]	[ ]	[ ]
4	[ ]	[ ]	[ ]

5	[ ]	[ ]	[ ]
6	[ ]	[ ]	[ ]
7	[ ]	[ ]	[ ]
8	[ ]	[ ]	[ ]
9	[ ]	[ ]	[ ]
10	[ ]	[ ]	[ ]
11	[ ]	[ ]	[ ]
12	[ ]	[ ]	[ ]

Table 2 – Consumer Property Reports Market – Customers

Market Shares by Customers			
RANK	**COMPETITORS (INCLUDING MERGER PARTIES)**	**ESTIMATED CUSTOMER VISITORS PER YEAR (Million)**	**ESTIMATED % OF MARKET SHARE BY CUSTOMERS**
1	[ ]	[ ]	[ ]
2	[ ]	[ ]	[ ]
3	[ ]	[ ]	[ ]
4	[ ]	[ ]	[ ]
5	[ ]	[ ]	[ ]
6	[ ]	[ ]	[ ]
7	[ ]	[ ]	[ ]
8	[ ]	[ ]	[ ]
9	[ ]	[ ]	[ ]
10	[ ]	[ ]	[ ]
11	[ ]	[ ]	[ ]
12	[ ]	[ ]	[ ]
13	[ ]	[ ]	[ ]
14	[ ]	[ ]	[ ]
15	[ ]	[ ]	[ ]
16	[ ]	[ ]	[ ]
17	[ ]	[ ]	[ ]
18	[ ]	[ ]	[ ]

21.4 PropertyIQ is of the view that the proposed transaction is unlikely to substantially lessen competition in the market because the transaction is within the Commission's safe harbour guidelines for business acquisitions. The merged entity's market share is only [ ]%, significantly below the market shares of the three highest ranking competitors.

22. **The extent to which the merger entity would be constrained in its actions by the conduct of existing competitors in the markets affected**

22.1 The proposed acquisition will not give PropertyIQ any ability to raise prices or engage in strategic non-price behaviour. PropertyIQ will have the same measure of competitive constraint from other market participants as it faces now and an increasing measure of competitive constraint over time given the dynamic characteristics of the market.

22.2 Existing competitors with their core property information facilities will have the ability to immediately expand, and adapt to evolving market conditions and provide a variety of property information services in the Consumer Property Report market.

22.3 Google, realestate.co.nz and TradeMe Property commoditise property data and derive revenue from advertising and other related means. The trend will be towards property data itself being more readily (if not freely) available. Different commercial models which provide for data to be given away for free but charge the customer for another service or sell the access to the customer to another party.

22.4 This is consistent with the need for PropertyIQ and other property information service providers to generate revenues from other property information services involving interpretation and analysis of data.

22.5 Different engagement models are being created on the web to attract customers e.g. Facebook, Google, Banks using their internet banking reach, TradeMe, realestate.co.nz.

PROPERTY PROFESSIONALS INFORMATION SERVICES

Existing Competitors

23. **Identities of relevant competitors in the market and how they all compete in the market.**

23.1 The Property Professionals Information Services market is characterised by a number of strong and well-resourced competitors. Both competitors and customers in this market are reasonably sophisticated. Customers of property professionals information services demand high quality and comprehensive services. The majority of customers in this market are real estate agents, valuers, surveyors and property investors.

23.2 The transaction proposed will not result in a substantial lessening of competition in the Property Professionals Information Services market. The overlap between PropertyIQ and Terralink post acquisition will be constrained by the large number of very well resourced competitors.

23.3 PropertyIQ's products in this market include RPNZ, iAdvise, QV.co.nz and Cityscope. The largest proportion of product use in this segment is RPNZ. This is a low sophisticated customer segment so virtually all product is highly standard, easy to use and PropertyIQ distributes the product using a web interface. Launching a new service normally means PropertyIQ is launching a new feature/function/module within its base RPNZ product eg a mobile application, a new current market analysis module, a titles ordering facility, or a marketing function. PropertyIQ will from time to time introduce completely new product which could be say a CRM system for agents or a trust account product. The base products compete against the likes of Councils as both products satisfy the need to find out information on a subject property. The titles ordering function competes with LINZ and other title providers such as EastbourneSearch, Legalsearch and others. The sales search function which allows current market appraisals competes against REINZ as well as internal real estate franchise systems which have the REINZ data within them. The base RPNZ competes with Headway and Custom Software Quickmaps products for the valuers as well as the surveyors.

23.4 The Customer Relationship Management (CRM) providers such as PropertySuite, OSL, MyDesktop, Rockend and others including the Real Estate Agents own tools such as Harcourts One System which also compete with PropertyIQ and Terralink but at the lower end of the scale. However, the market is changing rapidly and the CRM providers' product is merging with that of the information provider. Both ends of the market are finding themselves increasingly competing with each other. By way of example Harcourts is currently investing in building its own current market analysis (CMA) tool including data to supply to their franchises with the price likely to be covered by their overall franchise or technology fee to franchisees. This will compete directly with PropertyIQ's and Terralink's offer. Also a number of offices connected to Ray White and associated parties set up a data service that may have been destined to service the Ray White network. The group that started this changed tack when court action was taken by Terralink because not all of the data was gathered legitimately.

23.5 **REINZ:** The Real Estate Institute of New Zealand (REINZ) is a national body with over 10,500 real estate professionals as members.

REINZ jointly owns the commercial company Realestate.co.nz Ltd with Property Page (NZ) Ltd. Realestate.co.nz is the official online listings and media company of the New Zealand real estate industry. The company provides a number of websites targeted to provide listings across the main categories of real estate including Realestate.co.nz, Prime Commercial, Prime Business, nzFarms, and Unconditional.

Realestate.co.nz Ltd provides a comprehensive selection of listings across all categories of real estate. It has a viewing audience of over 400,000 unique visitors each month from within New Zealand and overseas.

REINZ maintain a comprehensive database of sold properties with an extensive number of data fields captured. Data is distributed particularly to agents and valuers via a sophisticated web portal. REINZ has a competitive advantage in the up to date currency of its sold data over other competitors such as Council and LINZ. REINZ has recently commenced selling to the banking market through a close association with Data Insight, and is providing its information to Headway as its exclusive channel partner.

The Applicant understands that REINZ has taken a stake in Headway through a company called INC Investments Limited acquiring shares in PT Investments Limited which is a 50% shareholder in Headway. Also, the owner of Custom Software has at the same time (August 2012) acquired a share in PT Investments Limited and therefore similarly taken a stake in Headway. Realestate.co.nz (50% owned by REINZ) is seeking to make the current exclusive listing data agreement with Terralink non-exclusive which they have advised will enable them to sell this data to anyone else including Headway (in which REINZ now has a shareholding), or direct to real estate agents, or to banking customers.

23.6 **Headway and Custom Software:** Headway and Custom Software compete vigorously in the Property Professionals Information Services market. Both companies are developing tool sets for valuers, real estate agents and surveyors. Indeed, PropertyIQ estimates that Custom Software is the preferred property information service provider to 90% of surveyors and Headway is the preferred property information service provider to 80% of valuers. Headway no longer take wholesale data from PropertyIQ and is sourcing data direct from Councils and from REINZ. Headway and Custom Software have joined forces to source data and the Applicant understands are also working to combine to some extent with DataInsight.

23.7 **LINZ:** LINZ is a supplier of data in this market and a direct competitor to PropertyIQ and Terralink. Titles can be purchased on the LINZ Landonline product or buyers can take a feed of the LINZ data service at a special price for bulk data extracts. The LINZ digital cadastre is produced by LINZ and is a component of the digital data set available from LINZ through the bulk data extract and from third party resellers. Every lot or survey plan lodged with LINZ has a geospatial position on the digital cadastre. LINZ core data sets are titles, cadastre, hydrographic, topographic and Crown Owned tenure. Property Professionals are particularly price sensitive and can obtain information direct from LINZ. LINZ also provides other data sets which Property Professionals with data and technology capability can access and use in competition to the merged entity's offers. In addition, LINZ is proposing to offer a "One Stop Property Shop" service for all manner of property data with the data potentially being freely available which will further compete with the merged entity.

23.8 **Rockend:** Rockend provides an electronic document management system used to streamline businesses and reduce costs. Rockend supports over 3000

businesses. Rockend offers two property management software packages (REST Professional and file SMART) and two strata management software packages (STRATA Master and file SMART).

23.9 **Councils:** Largely all Councils have web sites that property professionals can access. Queenstown Lakes District Council is the latest council to significantly lift its offer by adding new data, mapping and other functionality. The site is open to all users for free.

23.10 **Other Free Providers:** Whilst these providers target the consumer market, the fact that they have open access means Property Professionals can and do use them.

Market Share

24. **Outline of the estimated market shares in terms of sales, and, where relevant, volume and productive capacity, of the merger parties and competitors identified above.**

24.1 It is important to note that the market shares are very difficult to establish because REINZ, who have approximately 95% of real estate agent customers in the Property Professionals segment of the market, charge for their information services within their charge for REINZ general membership subscription.

24.2 In the context of paragraph 24.1, the market share of the merged entity has been estimated by the Applicant in the following Table 3 and Table 4 first by revenue and then by customer numbers. Table 3 only shows those competitors where revenue can be estimated. For those competitors who work on lead generation models, advertising models, publishing models or other models, the revenue cannot be calculated:

Table 3 – Property Professionals Market - Revenue

Market Shares by Revenue			
RANK	**COMPETITORS (INCLUDING MERGER PARTIES)**	**ESTIMATED REVENUE $ million**	**ESTIMATED % OF MARKET SHARE BY REVENUE**
1	[ ]	[ ]	[ ]
2	[ ]	[ ]	[ ]
3	[ ]	[ ]	[ ]
4	[ ]	[ ]	[ ]
5	[ ]	[ ]	[ ]
6	[ ]	[ ]	[ ]
7	[ ]	[ ]	[ ]
8	[ ]	[ ]	[ ]
9	[ ]	[ ]	[ ]

Table 4 – Property Professionals Market - Users

Market Shares by Customers(Users)

RANK	COMPETITORS (INCLUDING MERGER PARTIES)	ESTIMATED User Numbers	ESTIMATED % OF MARKET SHARE BY USERS
1	[ ]	[ ]	[ ]
2	[ ]	[ ]	[ ]
3	[ ]	[ ]	[ ]
4	[ ]	[ ]	[ ]
5	[ ]	[ ]	[ ]
6	[ ]	[ ]	[ ]
7	[ ]	[ ]	[ ]
8	[ ]	[ ]	[ ]
9	[ ]	[ ]	[ ]
10	[ ]	[ ]	[ ]

Note: The Applicant has used the term "user" in Table 4 and estimates there are 22,000 individual users in the Property Professionals market. It would not be meaningful to show estimated numbers by businesses due to the diverse nature of how businesses in this sector are made up.

24.3 PropertyIQ is of the view that the proposed transaction is unlikely to substantially lessen competition in the market because the transaction is within the Commission's safe harbour guidelines for business acquisitions. After the acquisition although the three firm concentration ratio in the relevant market is above 70%, the market share of the merged entity is less than 20%.

25. **The extent to which the merger entity would be constrained in its actions by the conduct of existing competitors in the markets affected**

25.1 The proposed acquisition will not give PropertyIQ any ability to raise prices or engage in strategic non-price behaviour. PropertyIQ will have the same measure of competitive constraint from other market participants as it faces now and an increasing measure of competitive constraint over time given the dynamic characteristics of the market.

25.2 Existing competitors with their core property information facilities will have the ability to immediately expand, and adapt to evolving market conditions and provide a variety of property information services.

25.3 There is cheaper access to tech and data analytics resourcing from South Asia, India and other countries lowering cost bases for those participants who can access it.

25.4 Adjacent services are slowly entering into data and analytics e.g. in the Property Professionals segment the provision of CRM software for real estate agents is starting to merge with the provision of data.

CORPORATE PROPERTY INFORMATION SERVICES

Existing Competitors

26. **Identities of relevant competitors in the market and how they all compete in the market.**

26.1 This market is at the high end of sophistication with many data sets, services and high end products delivered to corporate customers; many in the banking and

insurance industries, as well as Government and other large organisations. For example banks will use electronic property valuations delivered through AVMs often as replacements for traditional physical valuations, as well as loan book revaluation tools to assess banks' compliance with minimum capital requirements.

26.2 However, some of the products needed by corporate and government customers are not necessarily highly sophisticated. They also need standard products such as a service that simply confirms or authenticates the address or ownership information that a consumer has provided to a corporate or government user. This use can be supplied by qv.co.nz, LINZ, Councils, Custom Software, Headway and others. A higher end use example is the claims processing unit of EQC requiring property information in order to run the work flow processes of claims. Providers of this property information could be Councils, Critchlows, LINZ, REINZ, Custom Software, Eagle Technology and others or a combination of a group of service providers.

26.3 Banks are an important customer segment in this market. PropertyIQ's products used by banks range from qv.co.nz, RPNZ, Cityscope, and Valex to custom and bespoke products that might be supplied say weekly, quarterly or annually. Customers in the banking and finance, and insurance industries are often highly sophisticated in their understanding of their business problems and the possible solutions. The qv.co.nz product which delivers information to front line staff is largely standardised to make the work flow process simple. PropertyIQ's bespoke products solve a range of issues from credit policy, risk, customer service, customer acquisition, churn and retention issues, marketing, digital media, operational processing, regulatory, financing, reporting and audit issues. To compete against the qv.co.nz product a competitor does not need a channel as a competitor could simply provide the bank with the data and the bank incorporates that data into its own internal systems. Banks can and do also use Council web sites and LINZ to search information on properties. Banks also have LINZ data internally. The actual business issue that is being resolved will drive the data that is required. Data from REINZ, LINZ, Council, Headway, Custom Software, TradeMe, RealEstate.co.nz and others may solve the business issue.

26.4 Competitors in the Corporate Property Information Services market seek to differentiate their products based on price, functionality and data fields. For example when two competitors are offering services to a bank, the bank will choose on the basis of which fields and analytics are important to the bank. So the competitor must identify what the client values. This is often determined by which division of the bank needs the data because the requirements will be different according to whether it is the treasury, risk, credit, marketing, or sales division, or the broker channel. The specialisation of service providers and the requirements of the bank mean, for example, that competitors like Experian and Acxiom are strong in providing data services to the banks for marketing.

26.5 The transaction proposed will not result in a substantial lessening of competition in the Corporate Property Information Services market. The overlap between PropertyIQ and Terralink post acquisition will be constrained by the large number of very well resourced competitors.

26.6 **LINZ**: LINZ supplies corporate customers through three core services. They provide their monthly bulk database supply of all title and cadastral data for the whole of country at cost of extraction. They enable online licensed access to the titles database with an establishment fee and then significantly reduced title fees (compared to their public access fees). They also are enabling title access through an API data feed that will enable any business users to gain real-time data access to Title documents enabling large corporate users to bypass third party suppliers like PropertyIQ and Terralink. LINZ's stated goals are to set these

fees at cost of recovery only and to further support greater open access to public registers.

26.7 **Veda:** Veda provides services to New Zealand and Australian businesses enabling them to access the information and knowledge needed to make informed decisions about customer acquisitions and credit risks. Veda holds information on [ ]credit active people and [ ]businesses. Veda offers a range of products including asset and property intelligence. Veda's property summary provides buyers with information of a property to help them assess its value. The report is specifically designed for the banking and finance industry, taking into account business requirements around credit decisions, auditing and related matters. Veda's property ownership verification report can be used to instantly check ownership details for a property. This ensures all credit application information is correct and improves secured lending practices. Property sales reports, transactions reports and valuation reports are also available to provide buyers with a full property and sales history, any details of interest in a property as registered on the certificate of title and its valuation and sales information.

26.8 **NZ Post:** NZ Post provide a wide range of property information services to SME and corporate users. They maintain a comprehensive database of property and deliverable addresses as well as a range of associated attributes of the property and the occupant.

26.9 **Centrix:** Centrix Group Limited was founded by industry experts to provide credit risk management solutions for New Zealand credit providers. Centrix Group Ltd has specific expertise in credit bureau development, data management, analytics and debt recovery solutions in New Zealand, Australia, Middle East and Asia. The key services provided by Centrix are consumer and commercial reporting, tenancy credit checks for landlords and property managers, tracing services and portfolio monitoring.

26.10 **Whats on Report:** Whats on Report is a source of 'on demand' construction intelligence for the commercial, residential and civil building industry sectors across New Zealand and the South Pacific. Whats on Report provides information on construction activity from early planning and planning stages to tender and under construction, consent and statistics to suppliers of services and products to the New Zealand commercial and residential building industry. Commercial, civil and residential construction project leads, construction project alerts, current tenders lists and details of key construction industry contacts are provided to clients, as are daily email updates of successful tenderers and intelligence on building consents issued in New Zealand.

26.11 **Edgar Dunn and Company:** Edgar Dunn and Company is a global financial services and payments consultancy. Edgar Dunn and Company provides strategic analysis and business guidance to issuers, acquirers, processors, technology providers and merchants. Edgar Dunn and Company helps organizations respond to new payment product opportunities, customer profitability, retention, operational excellence, credit and fraud risk, new technologies and global expansion.

26.12 **Data Insight:** A relatively new entrant as a break away from PropertyIQ and combining with a break away group from RP Data. The Applicant understands they have made good inroads into the corporate market using publicly available data sets combined with their own modelling expertise and platforms sourced from offshore. The Applicant understands they are jointly with REINZ presenting to corporates and may have combined product or data with Headway and Customer software.

26.13 **REINZ:** The Applicant understands that REINZ is strategically seeking to commercialise its data and product. REINZ have said to both PropertyIQ and Terralink that it will not supply the REINZ data to them and REINZ has chosen who it will work with to commercialise its data and product. REINZ has also recently sold its HQ building for $6.2M and has said to its members it will invest these funds back into the industry. The Applicant expects a fair portion of these funds will be invested into building the REINZ data business further.

26.14 **TradeMe:** The Applicant understands a key strategic area of growth for TM is via data. The Applicant expects TradeMe to develop new models to further commercialise their data including wholesaling or retailing their data into the corporate market.

26.15 **eSpatial:** eSpatial are highly data agnostic except for address data which is their niche product. Where a corporate customer has a need to incorporate property data into their systems, eSpatial can complete and manage this work and project. This work competes with the products of both PropertyIQ and Terralink.

26.16 **Northsouth:** Similarly where a corporate customer has a need to incorporate property data into their systems, Northsouth can complete and manage this work and project. This work competes with the products of both PropertyIQ and Terralink

26.17 **Dun and Bradstreet:** D&B are more focused on credit and business information however the Applicant understands they are investigating property information to corporates.

26.18 **Cordells** is a data and publishing business and is part of a large global group. Their NZ operation focuses on building and property data and the cost calculator functionality and associated risk analytics work

26.19 **Critchlows** is a spatial data and analytics company. They represent Pitney Bowes in New Zealand who are a large global provider. They have their own data sets as well as working with customers own data sets.

26.20 **Datamine** is a data and analytics shop with emphasis on marketing and behavioural data. They are strong in the large corporate segment particularly banking. They differentiate themselves by having high quality, sophisticated analytics. They have also in the past developed unique ways to capture consumer transactional data for the benefit of corporate customers.

Market Share

27. **Outline of the estimated market shares in terms of sales, and, where relevant, volume and productive capacity, of the merger parties and competitors identified above.**

27.1 It is important to note that the market shares are very difficult to establish because large customers such as banks source data direct from Government suppliers at minimal cost.

27.2 In the context of paragraph 27.1, the market share of the merged entity has been estimated by the Applicant in the following Table 5 by revenue:

Table 5 – Corporate Market - Revenue

Market Shares			
RANK	**COMPETITORS (INCLUDING**	**ESTIMATED REVENUE**	**ESTIMATED % OF MARKET**

	MERGER PARTIES)	$ million	SHARE BY REVENUE
1	[ ]	[ ]	[ ]
2	[ ]	[ ]	[ ]
3	[ ]	[ ]	[ ]
4	[ ]	[ ]	[ ]
5	[ ]	[ ]	[ ]
6	[ ]	[ ]	[ ]
7	[ ]	[ ]	[ ]
8	[ ]	[ ]	[ ]
9	[ ]	[ ]	[ ]
10	[ ]	[ ]	[ ]
11	[ ]	[ ]	[ ]
12	[ ]	[ ]	[ ]
13	[ ]	[ ]	[ ]
14	[ ]	[ ]	[ ]
15	[ ]	[ ]	[ ]
16	[ ]	[ ]	[ ]

27.3 PropertyIQ is of the view that the proposed transaction is unlikely to substantially lessen competition in the market because the transaction is within the Commission's safe harbour guidelines for business acquisitions. After the acquisition the three firm concentration ratio in the relevant market is below 70% and the market share of the merged entity is significantly less than 40%.

28. **The extent to which the merger entity would be constrained in its actions by the conduct of existing competitors in the markets affected**

28.1 REINZ and Data Insight have been working closely together recently in pitching solutions to corporates. Data Insight has generated significant revenues in the last 6 months from corporates. Winning corporate business depends on the exact issue that needs resolving. The easiest to work on and resolve is in the marketing area. Experian and Acxiom have a good track record at this area of business with corporates.

GEOSPATIAL DATA SERVICES

Existing Competitors

29. **Identities of relevant competitors in the market and how they all compete in the market.**

29.1 Geospatial information is information describing the location and names of features beneath, on or above the earth's surface. At its simplest this can mean the basic topographical information found on a map, but also includes different location-related datasets combined into complex layers that show information such as land use and population density. Geospatial data services support a wide range of individual, business, and government activities, and the use and re-use of this information has significant productivity-related benefits.

29.2 There is an increasing demand for location based intelligence and the commercial rationale for the acquisition of Terralink by PropertyIQ is to acquire the GIS skill set to integrate into PropertyIQ's business. PropertyIQ has investigated and considered partnering with or acquiring other providers who participate in the geospatial information market and have capability in the location based intelligence space. PropertyIQ has explored contracting third parties such as Critchlows, Eagle, NorthSouth and others to assist build its capability. PropertyIQ uses third party tools in a very limited manner to spatialise data. For example PropertyIQ has used the MapInfo product from Pitney Bowes (a large global provider) to establish spatial data eg properties under High Voltage Lines and to present spatial data to users.

29.3 An example of how rapidly technology and innovation is replacing traditional data sets can be seen in the LIDAR (Light Detection and Ranging) system which collects 1.2 million points per second of XYZ. The LIDAR technology will create an accurate 3-D model of street cam data that will provide a point of differentiation to Google's street view

29.4 The transaction proposed will not result in a substantial lessening of competition in the Geospatial Data Services market. PropertyIQ currently does not have a significant presence in the geospatial data services market so there is virtually no aggregation of market share in this market resulting from the merger with Terralink.

29.5 **Eagle Technology:** Eagle Technology is a systems integration and information management company. Eagle offers GIS (Geographic Information Systems) products, or computerised maps linked to background information about features on those maps, applications for local and regional councils, utilities and businesses. Eagle is an 'end to end' supplier, scaling from small mobile data capture devices to enterprise-wide solutions, providing software, data, implementation, support, management services and training to organisations wanting to combine map and database information. Eagle also provides Professional Services Group to guide users through the GIS implementation process through technology transfer.

Critchlow: Critchlow is a New Zealand owned business location intelligence firm which offers GIS solutions to the government and businesses in New Zealand, Australia and the South Pacific. Critchlow focuses on three key areas – data, software and professional services. Critchlow supplies geographic data and integrates the data onto digital maps to make it easier to analyse and illustrate patterns, relationships, trends and opportunities in the data that cannot otherwise be seen. The data provided includes New Zealand's road, cycle and walking networks, New Zealand addresses, business data and census data. Critchlow maintain a comprehensive database of road, points of interest and address data.

29.6 **E-Spatial:** e-Spatial are location intelligence GIS business focused on the services and solutions attached to property and land information initiatives. e-Spatial maintain a comprehensive database of addresses sourced from Government suppliers.

29.7 **NorthSouth:** NorthSouth is part of a global group focused on services and solutions. NorthSouth utilise publicly available and client supplied data.

29.8 There are a number of additional significant competitors in this space. They include:

(a) AAM NZ Limited
(b) BECA Infrastructure Limited
(c) Bill Robertson & Associates

(d) Consulting Surveyors of NZ
(e) ConsultingWhere Pty Ltd
(f) Geographic Business Solutions
(g) Geographx (NZ) Ltd
(h) Geosmart Maps Ltd
(i) Intech Solutions Pty. Ltd
(j) Intergraph (NZ) Limited
(k) LandZone Limited
(l) New Zealand Post Limited
(m) NZ Aerial Mapping Ltd
(n) Ollivier & Company Ltd
(o) Omnilink Ltd
(p) Precision Aerial Surveys Ltd
(q) Sinclair Knight Mertz Ltd
(r) Splice Group Limited
(s) Terralink International Ltd
(t) Vicinity Solutions Ltd

Market Share

30. **Outline of the estimated market shares in terms of sales, and, where relevant, volume and productive capacity, of the merger parties and competitors identified above.**

30.1 It is very difficult to estimate revenues and market shares for GIS and location based intelligence services. The dynamic characteristics of the Geospatial Data Services market and the rapid advancement of technology mean market shares can be transitory. New and enhanced Geospatial Data Services are being developed all the time.

30.2 In the context of paragraph 30.1, the market share of the merged entity has been estimated by the Applicant as follows:

Table 6 – Geospatial Market - Revenue

Market Shares			
RANK	**COMPETITORS (INCLUDING MERGER PARTIES)**	**ESTIMATED REVENUE $ million**	**ESTIMATED % OF MARKET SHARE BY REVENUE**
1	[ ]	[ ]	[ ]
2	[ ]	[ ]	[ ]
3	[ ]	[ ]	[ ]
4	[ ]	[ ]	[ ]
5	[ ]	[ ]	[ ]
6	[ ]	[ ]	[ ]
7	[ ]	[ ]	[ ]
8	[ ]	[ ]	[ ]
9	[ ]	[ ]	[ ]
10	[ ]	[ ]	[ ]
11	[ ]	[ ]	[ ]

12	[ ]	[ ]	[ ]
13	[ ]	[ ]	[ ]
14	[ ]	[ ]	[ ]
15	[ ]	[ ]	[ ]
16	[ ]	[ ]	[ ]
17	[ ]	[ ]	[ ]
18	[ ]	[ ]	[ ]
19	[ ]	[ ]	[ ]
20	[ ]	[ ]	[ ]
21	[ ]	[ ]	[ ]
22	[ ]	[ ]	[ ]
23	[ ]	[ ]	[ ]
24	[ ]	[ ]	[ ]
25	[ ]	[ ]	[ ]
26	[ ]	[ ]	[ ]
27	[ ]	[ ]	[ ]
28	[ ]	[ ]	[ ]
29	[ ]	[ ]	[ ]
30	[ ]	[ ]	[ ]

30.3 PropertyIQ is of the view that the proposed transaction is unlikely to substantially lessen competition in the market because the transaction is demonstrably within the Commission's safe harbour guidelines for business acquisitions. There is no market concentration in the Geospatial Data Services market.

31. **The extent to which the merger entity would be constrained in its actions by the conduct of existing competitors in the markets affected**

31.1 There is increased New Zealand competition from globalisation of players, particularly in the area of spatial information technology and location based intelligence. For example:

(a) Pitney Bowes acquisition of MapInfo

(b) Nokia's $9 billion acquisition of Navtech

(c) Tom Tom's $4 billion acquisition of Teleatlas

(d) Garmin's acquisition of Tom Tom

(e) Microsoft's acquisition of spatial technology companies

All the above global players are directly competing with PropertyIQ and Terralink in New Zealand. This highlights the need for PropertyIQ and Terralink to merge to act as a strong local proposition to increasing international competition.

31.2 Other large global players such as Acxiom and Experian are seeking to sell their products in the New Zealand market.

32. **Identities of relevant competitors in the market and how they all compete in the market.**

32.1 The transaction proposed will not result in a substantial lessening of competition in the Wholesale Property Information Services market. The overlap between PropertyIQ and Terralink post acquisition will be constrained by the availability of the information directly from the Councils.

32.2 Each data set or component can be wholesaled. As can the channel, brand and technology. Some data sets are wholesaled for Free others are charged for. Where it is for free, this is normally due to a government policy or a commercial need. For example TradeMe wholesales its data for free because the proliferation of the TradeMe listings data increases the propensity of people to view the data and end up back on the TradeMe web site so TradeMe can monetise the visitor.

32.3 **Headway Systems:** Headway Systems Ltd supplies software, sales data and hosting services to property professionals, particularly valuers. It offers a range of Jade integrated software packages (ValBiz Pro, ValBiz Analyst & ValBiz Enterprise) and associated sales data. In 2002 Headway Systems formed an alliance with Custom Software Ltd to create SalesView which provides integrated sales data and mapping to the real estate profession.

ValBiz software allows professionals to find and analyse comparable sales data, store their companies intellectual property and manage their practices. Five ValBiz solutions levels (Professional, Professional Plus, Analyst, Analyst Plus and Enterprise) are available.

ValBiz Hosting allows property professionals to retain their intellectual property whist ensuring the security of their information.

ValBiz Central is a nationwide sales database, hosted by Headway Systems Ltd with search & reporting capabilities. ValBiz Central is targeted at practices who do not want to install or maintain their own database.

QuickMap Sales View is a collaboration product of Headway System data and Custom Software technology. The CD-ROM based product provides property professionals, corporate and Government customers with a mapping and property information system. Access is available to property details including title and owner details, house photos and unlimited access to over 4 million current and historic sales throughout New Zealand. QuickMap SalesView licences start from $[ ] (plus GST) for a single user.

Headway Systems is able to supply sales data in bulk or provide custom searches. Bulk data is intended to be imported into the client's own database while custom searches can be turned around in a matter of minutes for a search fee of $[ ]plus GST and a charge of $[ ]per sale of those sales supplied.

P.T. Investments Limited and the New Zealand Institute of Valuers hold equal shares in Headway Systems.

REINZ

REINZ has said it is not prepared to wholesale its unique database to Terralink or PropertyIQ. It has chosen partners to work with in order to increase the commercial gain from their data. The Applicant understands REINZ is working with DataInsight, Headway and Custom Software.

LINZ

LINZ has just issued an RFP to the market to design a business model for a one stop shop for property data. This could operate at the retail level or the wholesale level. Whilst PropertyIQ is not interested in consulting to LINZ for the business model for LINZ because there is a conflict of interest, PropertyIQ is potentially interested in being involved in the result. LINZ could enter into a public/private partnership (PPP) model for titles information. By doing this, LINZ could adopt the PPP model a version of which is used in Canada, and this would mean the PPP would have say a 30 year exclusivity over the titles and other information. The exclusivity is needed to ensure that the PPP owner receives a return on its likely $200m investment. That however locks up the important data sets and could reduce competition. LINZ also states in its Statement of Intent 2013 – 2016 that it will through its property rights and location-based information provide New Zealand businesses with "a one-stop online shop for all government advice and support they need to run and grow their businesses".

LINZ has also moved to obtain a national imagery data set and host this under creative commons licence to be freely available to anyone. LINZ has encouraged Councils to put their imagery into creative commons and have provided taxpayers money to Councils to assist the Councils to do this. It also intends investing $[ ] plus into providing a hosting service to allow free access to this imagery. Currently, LINZ's 85% imagery coverage of New Zealand is now freely available. This now directly competes (for free) with Terralink' s imagery licencing service which in 2012 contributed a significant $[ ]of revenues to Terralink .

Councils

Councils have a range of data sets eg DVR, inground asset data, roading data, address data, rates data, dog data. LIM's, PIM's etc. Councils are required to meet their regulatory obligations and outside of this can and do wholesale data. They are the ultimate collector/owner of DVR data and can wholesale that public register data to all comers.

TradeMe

TradeMe has recently released its Property data for free via an API. The Applicant understands they will continue to do this but will tighten up on the on use of this data.

Realestate.co.nz

Realestate.co.nz have an exclusive arrangement with Terralink to wholesale their listing data to the real estate sector. This listing data ('MarketWatch') is incorporated into a product (Property Guru) and contributes $[ ] of revenue to Terralink, and more importantly is a major point of difference for the entire Property Guru product Total. Realestate.co.nz have advised that they will not renew the current agreement. Instead they wish to negotiate a non exclusive agreement which will allow them to provide the data to REINZ and thereby out to REINZ (approximately 10,000 members) and others directly or through its associated commercial company (Headway/Quickmap).

Whats On

WhatsonReport wholesale their data for a fee.

Geological and Nuclear Science

GNS has a range of data sets including the hazard set of landslide, earthquake, tsunami and flood. GNS wholesale this data set.

A range of other providers also wholesale their data such as NZ Post and Critchlows, Building and Housing, NZ aerial mapping and others.

Market Share

33. **Outline of the estimated market shares in terms of sales, and, where relevant, volume and productive capacity, of the merger parties and competitors identified above.**

33.1 It is very difficult to estimate revenues and market shares for GIS and location based intelligence services.

33.2 In the context of paragraph 33.1, the market share of the merged entity has been estimated by the Applicant as follows:

Table 7 – Wholesale Market - Revenue

Market Shares			
RANK	**COMPETITORS (INCLUDING MERGER PARTIES)**	**ESTIMATED REVENUE $ million**	**ESTIMATED % OF MARKET SHARE BY REVENUE**
1	[ ]	[ ]	[ ]
2	[ ]	[ ]	[ ]
3	[ ]	[ ]	[ ]
4	[ ]	[ ]	[ ]
5	[ ]	[ ]	[ ]
6	[ ]	[ ]	[ ]
7	[ ]	[ ]	[ ]
8	[ ]	[ ]	[ ]
9	[ ]	[ ]	[ ]
10	[ ]	[ ]	[ ]
11	[ ]	[ ]	[ ]
12	[ ]	[ ]	[ ]
13	[ ]	[ ]	

33.3 PropertyIQ is of the view that the proposed transaction is unlikely to substantially lessen competition in the market because the transaction is within the Commission's safe harbour guidelines for business acquisitions. After the acquisition, there will be no wholesale revenue derived from Terralink with respect to the data currently wholesaled by PropertyIQ to Terralink and therefore the merged entity will remain below the top three rankings of market shares.

34. **The extent to which the merger entity would be constrained in its actions by the conduct of existing competitors in the markets affected**

34.1 After the acquisition there will be constraints placed on the merged entity's ability to increase prices because the merged entity's wholesale business will be further eroded by its customers being able to source the data directly from the larger Councils at a low cost. Paragraph 18.2 explains the extent to which the merged entity will be compelled to continuously improve the wholesale data in quality and in breadth so that it remains saleable and of interest to the reseller.

POTENTIAL COMPETITION: CONDITIONS OF ENTRY

35. **The requirements for new entry and/or importers in the relevant market(s).**

35.1 In order for a new entrant to compete in the property information services market, it would need:

(a) **Data:** this could be through licence, direct capture, or free access to data A competitor can start with a limited number of data sets and add to the data over time;

(b) **A customer base:** this could be an existing one or developed through promotion;

(c) **A database:** database technology is readily available. The cost of running high end databases has fallen dramatically over the last 2 years, driven by Amazon hosting services which globally earns over $2 billion from hosting database services in its cloud;

(d) **Basic functionality:** search and reporting functionality;

(e) **Hardware:** this would be owned or leased. The easiest and cheapest form is in the cloud from the likes of Amazon hosting services;

(f) **Connectivity:** relationships with end users; and

(g) **Capital:** a limited amount of investment capital.

35.2 Barriers to entering the market are low due to the ease of obtaining property data from LINZ, Government departments, Councils and other sources; the ability to viably enter on a small scale, and the ability to bundle related services together (e.g. property reports and property listings, as has been done by Google). For example REINZ has its own database and real estate agency product. REINZ has recently improved its data and its product to compete in the Property Professionals market. It could easily add further data and functionality to compete more aggressively with the merged entity. Likewise, Headway and Custom Software have a partly offline product and relatively good data. They could either through their own or by partnering improve functionality and actively compete with the merged entity.

35.3 TradeMe and realestate.co.nz both have strong databases which are rich in content. By adding data they could improve their database. Both firms are well placed to add functionality to their systems to better compete.

35.4 The Australian based firms which have functionality but no data could relatively easily join with a database provider or collect their own data to enter the New Zealand market. This includes Property Data Solutions PDS, HomeTrack, OnTheHouse.

35.5 Sufficient competitive constraint will continue to be provided by existing competitors. Technological developments have increased the availability and decreased the costs of data. These developments have made it relatively easier to set up and expand, or credibly threaten to set up competing businesses or for customers to self-supply. These factors are likely to prompt further entry and expansion into the market by competitors.

35.6 A relatively small change in raw material supply or engagement models or linkages between participants could generate a significant change to the offers

from competitors and could increase substitutability from 25% to 100% very quickly. The Commission said in Media Monitors Pty Limited and Chong Bureau Limited (Decision 664, at para 34) that a comprehensive service is not essential to be a viable competitor particularly where there are examples of switching.

35.7 DataInsight which is a new entrant, quickly amassed data, technology and expertise quickly and with minimal capital. The Applicant understands Datamine has recently lost its contract with Westpac for data and analytics for the Westpac marketing division, and that the contract was awarded to DataInsight.

35.8 Partnering is an obvious quick and easy way to enter the market and one which lowers barriers further. Examples are REINZ, DataInsight, Headway, Custom Software working together and in some cases taking ownership positions such as REINZ and Custom Software now owning a minority interest in Headway via PT Investments which is a 50% holder of Headway shares.

35.9 In addition, a number of companies are "web mining" the information, compiling data sets and then delivering derivative solutions, with or without value-added analytics.

36. **Factors that could impede entry; and what might prompt new entry post-merger.**

Entry into the market will vary according to the customers being serviced in the market.

36.1 **Consumer Property Reports:** There are low barriers to entry. A service can be set up easily and whilst the offer would unlikely provide a full suite of data or functionality it is likely to be unique and therefore have high value potential that challenges the current commercial models in the market. New players are incentivised to find a way to get in front of the potential customers, usually through partnering with other businesses who are already in front of customers and who see the new offer as complementary.

36.2 **Property Professionals Information Services:** A partial substitute is relatively easy to achieve. A full substitute is more difficult due to variety of data, functionality and channels. One of the challenges of the most effective sales model is to have sales people on the road. However, this can easily be overcome by partnering with another business which already has a channel into the potential user base.

36.3 **Corporate Property Information Services:** No one party offers a full suite to corporate and government customers because the products are invariably bespoke. Overcoming barriers to entry for single product applications are relatively easy. As reputation builds the banks, insurance companies and other corporates would be highly likely to take more services from the new entrant. No one party offers a full suite because of the because of the diverse needs of government. Overcoming barriers to entry for single product applications are relatively easy. As reputation builds government would be likely to take more services from the new entrant

36.4 **Geospatial Data Services:** In order to enter the market for the provision of Geospatial Data Services, the barriers to entry are low. The key requirements for new entrants are:

(a) Geospatial capability resource. With the increasing demand in New Zealand for geospatial human resources, the Government has recently added geospatial skills to their preferred entry skills for immigration. This will help meet the demand for skills. New players such as Splice Group are able to enter the market very quickly and gain a presence if they have

geospatial capability. An increasing recognition of geospatial will drive increasing demand for geospatial services. As geospatial data becomes increasingly available for free from the Government, then this data can be used to provide additional decisioning which will see an increased demand for geospatial data services.

(b) With the increase in freely available geospatial data, the client's own data, and the technology platforms available -often free or at low cost (such as Google's mapping platform) the barriers to entry in creating a geospatial product/application service or solution are low. For example Splice Group -a new entrant in the market- was formed by a number of employees leaving North South GIS group and forming their own company.

36.5 **Wholesale:** Barriers are low because of the availability of the data from other sources.

37. **Likely businesses that do not currently supply the market but which the Applicant considers could supply each of the relevant markets.**

37.1 **Consumer Property Reports and Property Professionals Information Services:** Australian parties either currently looking to enter or potentially looking to enter eg APM, Onthehouse, Property Data Solutions (PDS), Hometrack and PropertyProfiler. Data Insight is also planning to enter the market.

37.2 **Property Professionals Information Services:** New Zealand real estate franchise groups considering increasing their property information offer through their own technology provision to their franchises.

37.3 **Property Professionals Information Services:** Main franchise groups are investigating building their own Current Market Analysis (CMA) product. This would be in competition with PropertyIQ's CMA which forms part of the broader offer to real estate agents. PropertyIQ understands REINZ is currently upgrading technology and data capture and is in talks with potential partners to grow property information business. QuickMaps is also boosting its capability through new resources.

37.4 **LINZ:** LINZ is undergoing strategic review and is investigating a range of options to do with collection, management and distribution or property information. This could enable LINZ to enter certain areas of the market to compete with the merged entity.

37.5 **Local Councils:** A number of local Councils are reviewing the collection, management and distribution of property information. Councils are continuously investing in their web based services to rate payers including provision of property information to them. This could enable local Councils to enter certain areas of the market to compete with the merged entity.

37.6 **Consumer Property Reports and Property Professionals Information Services Markets:** A number of new services such as ValueMyHome.co.nz, and Freereports are seeking to create a new customer engagement model which is lead generation and advertising focused. Existing Parties who will potentially change and adapt their product offerings:

(a) REINZ

(b) Portplus (onthehouse)

(c) Real Estate Franchise Groups

(d) Quickmaps

(e) Headway Systems

(f) Councils

(g) TradeMe

(h) Realestate.co

(i) Propertysuite

(j) Property In Depth

(k) Value Pro

(l) Freereports

(m) Valuemyhome

(n) Whatpricemyhome

(o) 200square

(p) Veda

(q) Propertyvaluations

(r) Propertytoolbox

(s) Streetvalue

(t) Open2view

(u) Acxiom

(v) Cordells

(w) Experian

(x) Dun and Bradstreet

(y) Centrix

(z) WhatsOnReport

37.7 Overseas service providers will provide a constraint on the merged entities ability to increase prices. In particular, direct competitors from the Australian market regularly consider entering the New Zealand market. An increase in the attractiveness of the New Zealand market relative to the local Australian market would likely see them enter this country. Potential parties are APM, PDS, Onthehouse, Hometrack, Realestate.com.au

37.8 Direct competitors in overseas beyond Australasia could also enter the New Zealand market if New Zealand increased in attractiveness relative to other opportunities. Parties include:

(a) MDA

(b) Acxiom

(c) Experian

Both Acxiom and Experian have existing businesses in New Zealand but are not currently delivering property and land data solutions.

37.9 Overseas based businesses who are not direct competitors but who end up providing a highly substitutable product to satisfy their own requirements will, given the right incentives, compete with the merged entity's products. These businesses include Google, Yahoo, Microsoft, Facebook, Amazon. By way of example, Google launched Google property in 2010. Google maintained the service for 18 months before withdrawing from the initiative worldwide to focus on its core offerings. Although their initiative ultimately did not last, it demonstrated the vulnerability of PropertyIQ's products offered in the face of large global businesses developing and delivering free content to users in a

relatively short time frame that at least in part can compete against PropertyIQ across its business. Apple has recently commenced a global mapping service including New Zealand and no doubt will expand the data sets and offers using property and land data.

38. **Extent to which the Applicant considers that potential entry would be sufficient to constrain the merged entity in the markets affected.**

38.1 In **Appendix 8** PropertyIQ sets out a table applying the LET test to competitors in the different customer segments.

39. **How long the Applicant expects it to take for entry to occur, and for market supply to increase, in respect of each of the potential entrants.**

39.1 In **Appendix 8** PropertyIQ sets out a table applying the LET test to competitors in the different customer segments.

COUNTERVAILING POWER OF BUYERS

40. **The extent to which the Applicant considers that the merged entity would be constrained in its actions by the conduct of buyers in the markets affected.**

40.1 There are a number of large and resourced customers that have significant countervailing power – the Banks, REINZ and Government departments. They are price conscious customers.

40.2 If the proposed acquisition proceeds, the ability of customers to replace the services offered by the merged entity by developing their own property information databases acts as a competitive constraint on the merged entity in the event that service levels are reduced or prices are increased.

40.3 It is noted that the Commission has previously found that the availability of self supply is a constraint on the proposed merged entity, including in Decision 439 involving the acquisition of PMI Mortgage Insurance Australia of CGU Lenders Mortgage Insurance Limited, where the relevant market was the supply of lenders mortgage insurance to lenders of residential mortgages. Notwithstanding that self-insurers were not considered competitors in the sense that they did not compete for business externally, the Commission recognised that:

(a) self-insurers, being large banks, reduce the lenders mortgage insurance market available to the non lender suppliers and can directly influence that market by the aggressiveness with which they pursue new business in the residential mortgage lending market; and

(b) self-insuring Banks should be considered to represent a source of countervailing power on the buyer's side of the market since they could use their ability to self-insure as a lever to negotiate a good deal with a lender's mortgage insurance supplier.

40.4 The Commission noted in Media Monitors/Chong (Decision 664, paras 55 and 59) that when faced with any increased costs for services (media monitoring which has strong parallels with property information services), or if a customer's budget for such services was reduced, self-supply is a viable and cost effective alternative for many businesses. If necessary, self -supply can also be combined with one of the other existing competitors or a research database. In addition, it was widely considered that the amount of content freely available (and therefore searchable) on the Internet is likely to increase in the short term, rather

than decrease. In this respect, the constraint offered by self-supply would also be likely to increase over time.

40.5 Customers in the property professionals, wholesale, banking and financing, and Government and corporate segments of the market have sophisticated procurement processes. These customers would have the ability to completely bypass the merged entity by engaging in strategies such as:

(a) fostering new entry or expansion of an existing industry participant;

(b) switching to an overseas property information services provider, particularly one of the many in Australia which could expand their services to New Zealand;

(c) sponsoring entry or expansion; and

(d) as referred to above, setting up inhouse property information services.

41. **Identities of the top five buyers by sales and/or volume (including overseas companies/importers) in the relevant market(s).**

41.1 Property IQ Top Five Customers are:

Customers	Sales Revenue
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]

41.2 Terralink Top Five Customers are:

Customers	Sales Revenue
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]

COORDINATED MARKET POWER

42. **The various characteristics of the market that, post-merger, the Applicant considers would either facilitate or impede coordination.**

42.1 The market does not currently exhibit signs of coordinated conduct because of the features in Table 8 below:

Table 8

Scope for co-ordinated market power	
Feature	**Comment**
High seller concentration	No, very extensive range of large and small participants
Differentiated product	Very extensive range to meet customer needs in many industries
Static production technology	No, highly dynamic and innovative
Speed of new entry	High
Fringe competitors	Yes, numerous and diverse offerings
Acquisition of an unusually vigorous or effective competitor	No
Price elastic market demand	Reasonably, subject to product/service differentiation
History of co-ordinated conduct	No
Countervailing power of buyers	Large users, and organisations such as REINZ, provide constraint
Industry associations/forums	Not from the point of view of suppliers (but customers banks and property professionals have)
High level of competitive activity from all existing competitors	Will continue post acquisition
The asymmetry of market share and costs between the various providers as a result of the different sized businesses in the market and the different business models that are used	Will continue post acquisition
Price transparency	Only in the Consumer Property Reports market

42.2 The same factors which do not facilitate co-ordination apply equally to monitoring/enforcement.

Table 9

Detection of co-ordination	
Feature	**Comment**
Seller concentration	No
Frequent sales	Yes, and mixture of different product/service offerings and of new sales and renewal of sales

Growth in demand	Stable in New Zealand (but growth globally)
Cost similarities	No
Price transparency	No. Very difficult to obtain data about competitors

42.3 There is no history of coordinated conduct in this business and the proposed acquisition will not impact on PropertyIQ's vigorous competition in all markets in which it operates.

EFFICIENCIES

43. **Description of the efficiencies that the Applicant believes the acquisition could bring.**

43.1 PropertyIQ expects that the proposed acquisition will allow it to realise significant savings and increase efficiency (reducing both fixed and variable costs). The effect of the acquisition will be that de-duplication of infrastructure and customer support together with resulting efficiencies will free up resources which can be deployed to develop further new innovative products and services to customers across all sectors and potentially for export, especially in location business intelligence and spatial information technology services.

43.2 Both fixed and variable cost efficiencies will come from ceasing duplicate data cost, aligning common technology tools, aligning product development, aligning sales resources, and removing duplication of management.

43.3 Improved addressing and mapping by the merged entity. This can be termed location based intelligence and is a significant contributor to GDP growth through the increased skills capability and capacity needed to compete with larger offshore players.

43.4 Both companies no longer need to incur the dual costs of acquiring certain data sets e.g. DVR, CRS title and cadastre, building and housing, listings, and aerial imagery.

43.5 Both companies will no longer need to incur the cost of maintaining linkages between certain data sets e.g. property parcel to certificate of title to rating assessment to mesh block to suburb to council.

OTHER FACTORS

44. **Description of other features of the market(s) that should be taken into account in considering the effect of the proposed merger.**

44.1 The freeing up of Government data and Cabinet's recent mandated decision to make this available free to all, means that in effect both PropertyIQ and Terralink will be competing with Government departments. The acquisition will enable PropertyIQ to cope better with this increasing competition. For example, the NZ Geospatial Office has an active programme of encouraging local and regional consortiums to place their newly flown imagery under creative common licence to all for free. LINZ is assisting Councils to do this by proving financial assistance to Councils to buy full copyright in the imagery.

44.2 Local Councils are increasingly able to integrate their data and make this available through website access to all at no charge. The acquisition will enable PropertyIQ to change its business model to respond rationally to this competitive action.

44.3 Google, Apple, Navtec, Tom Tom and other very large businesses that are prepared to expend vast resources to increase end user engagement can and do enter the property information market. These companies are already in the market but their offers are at the less sophisticated end of the spectrum. They are quickly able to improve their competitive offers if and when they wish. Google commenced its Google Property Service in 2009 and left the market 18 months later but retained their Google Maps offer. This was an example of the speed and resources that a large offshore business can devote to New Zealand's small market as part of a larger strategy for engagement with customers. Google's free map service meant that Terralink could not compete in that market sector.

44.4 Future data capture using new technology will also dramatically change the market dynamics. There is data capture by Google Glass which will be a wearable, ubiquitous computer. Further in the foreseeable future there will be drones despatched to navigate properties autonomously to collect extraordinary amounts of data.

44.5 Apple recently launched its new mapping service using New Zealand property and land data. It is highly likely Apple will continue to add to the data and services associated with their mapping offer in competition to Google, Bing and others.

44.6 Other global players who are not in any type of property information but who could enter this market as a way to increase customer engagement are many. Facebook is an example of this type of business and location business intelligence.

44.7 Local businesses who could enter the market are banks and insurers. Banks are already a participant through the likes of ASB iPhone app and Westpac Homeclub. Both these banks are examples of businesses trying to increase engagement through the use of property information.

44.8 There is currently a revolution around the cost to host technology platforms. The costs are dropping by a factor of 6 to 10 driven by the likes of Amazon which has 60% of the world hosting market. This significant drop in costs to run a property information business will further lower the cost barrier to entry.

44.9 Access to lower cost development resources. The global supply of labour means software developers can be secured far cheaper often at one-third of

the cost of a New Zealand resource. This change further lowers the cost barrier to entry.

44.10 The Government has a mandate to provide more data access to data produced and consumed by government. This may significantly affect the markets for certain property data sets. For example the Auckland Regional Council sought $[ ] for its set of aerial images of the region. In 2011 the price was dropped to $[ ]. The recently flown BOP imagery is now available for free from LINZ after LINZ assisted the BOP Regional Council financially to do so.

44.11 All the different data sets are being steadily commoditised. For example, up to 6 months ago, PropertyIQ double keyed virtually all properties for sale advertised in print publication on a weekly basis. This capture process came at a high cost. In the last 12 months TradeMe has made their property for sale data set available for free to all comers. An addition of a new field that has a high degree of substitutability can significantly change the market dynamics. For example a key field for insurers might be "floor area". If this field were added to the LINZ database it would significantly shift how value can be created.

44.12 The worldwide trend of providing all user based software tools as a mobile function has meant many new players have entered the market which has further increased the competitiveness of the underlying property information supply that these mobile tools require to work.

Part 7: Further Information and Supporting Documentation

45. **Copies of the most recent audited financial statements for each of the merger parties**

45.1 Copies of the most recent audited financial statements of each of the merger parties are appended to this application as confidential Appendices 9 and 10 respectively.

Part 8: Confidentiality

46. **Confidentiality for specific information contained in or attached to the notice**

46.1 Confidentiality is sought in respect of the information in this application that is highlighted/contained in square brackets. 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 contains valuable information which is confidential to the Applicant (and/or the Vendors); and

(b) disclosure would be likely unreasonably to prejudice the commercial position of the Applicant (and/or the Vendors), as the parties providing the information.

46.2 The Applicant also requests it is notified of any request made to the Commerce Commission under the Official Information Act 1982 for the confidential information, and that the Commission seeks the Applicant's views as to whether the information remains confidential and commercially sensitive at the time those requests are being considered.

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

DECLARATION

THIS NOTICE is given by **PropertyIQ NZ Limited**.

PropertyIQ NZ Limited hereby confirms that:

- all information specified by the Commission has been supplied;
- if information has not been supplied by PropertyIQ NZ Limited, reasons have been included as to why the information has not been supplied;
- all information known to PropertyIQ NZ Limited which is relevant to the consideration of this application/notice has been supplied; and
- all information supplied by PropertyIQ NZ Limited is correct as at the date of this application/notice.

PropertyIQ NZ Limited undertakes to advise the Commission immediately of any material change in circumstances relating to the application/notice.

Dated this day of 2013.

_____

Nigel Jeffries

I am the Chief Executive Officer of the company and am duly authorised to make this Application/Notice.

APPENDIX 1

GLOSSARY

Company Business Name	
Acxiom	Acxiom Australia and New Zealand is a marketing technology and services company which develops business intelligence and marketing databases and provides customer information management solutions.
Amazon	Amazon.com, Inc. is an American multinational electronic commerce company. It is the world's largest online retailer.
APM	Australian Property Monitor is a leading national supplier of online property price information to banks, financial markets, professional real estate agents and consumers. APM is a fully owned subsidiary of Fairfax Media.
ESRI ArcGIS online	ESRI provides a geographic information system (GIS) that lets its clients understand data revealing relationships, patterns and trends.
Bing	A popular search engine
cityscope.co.nz	The Cityscope database provides information on commercial properties including full descriptions of the building and photographs.
Centrix	Centrix Group provides credit risk management solutions for New Zealand credit providers. It also provides on-line consumer and commercial credit reports.
Cordells	Cordells is an authority on project activity and building cost information in Australia.
Core Logic	Provides comprehensive data, analytics and services to financial services and real estate professionals.
Critchlows	Critchlows are location intelligence and emergency management specialists offering geospatial services, data transformation, geospatial analysis, geocoding, data cleansing, route optimisation, emergency management solutions and geospatial custom application development.
Custom Software Quickmaps	A Wellington based company which provides mapping and property information solutions throughout New Zealand. One of the largest providers of land title, owner, aerial photography, survey, building and sales information in New Zealand.
Data Insight	Data Insight is a newly formed provider who PropertyIQ understands is partnering with Property Profiler who is a new Australian entity. PropertyIQ also understands that together they will target the banking and insurance segments.
Dun and Bradstreet	Dun and Bradstreet is a source of commercial information and insight on businesses. D & B holds a global commercial database with more than 140 million business records.
Edgar Dunn	An independent global financial services and payments consultancy.
EQC	A New Zealand Government agency providing natural disaster insurance to residential property owners.
eMap	An online subscription geographical information system platform containing NZMasterMap integrated data layers.
Experian	Experian is a global leader in providing information, analytical and marketing services to organisations and consumers.
Fairfax	Fairfax Media is an metropolitan, rural and regional, magazine and digital media company

FreeReports	Allows property buyers free and fast access to property information such as Titles, rates, LIMs and auction information.
GNS	Geological and Nuclear Science is a New Zealand Crown Research Institute focused on geology, geophysics and nuclear science.
Headway Systems	Headway Systems Ltd supplies software, sales data and hosting services to property professionals.
Hometrack	Hometrack is a privately owned property analytics business with offices in London and Sydney. They provide tailored information to organisations to help them make informed investment decisions in property.
iAdvise	iAdvise offers information on real estate property valuations and house prices around New Zealand. PropertyIQ provides a range of property information solutions for iAdvise.
Information Logistics	Information Logistics Ltd provides a service called Infolog which provides Government agencies and corporate users with a range of data sets including property data with a focus on fraud and compliance needs.
Investar	Real Estate Investar develops real estate software and tools.
MBIE	Ministry of Business, Innovation and Employment
MPI	Ministry for Primary Industries
MDA	MDA Lending Solutions is now DataQuick. DataQuick delivers information solutions powered by data, innovative analytics and automated decisioning.
NorthSouth	A global enterprise geographic information system solution consultancy.
NZMasterMap	A national land and property information database in New Zealand
onthehouse	Onthehouse.com.au is a website providing real estate information including listings and property sales figures.
Open2view	Open2view offers professional photography to sellers for use in promotional material.
OSL	Provide subscription software hosted in the 'cloud' for real estate offices and real estate agents.
Pitney Bowes	Pitney Bowes is a provider of customer communication technologies and solutions which provides software, equipment and services to help organisations communicate effectively.
PDS	Property Data Solutions is an online property search application offering a range of tools to assist in generating timely information for all residential, commercial and rural properties.
PMP Micromarketing	PMP (NZ) Limited uses analytic tools to geographically segment customer and prospect data. Now acquired by Experian.
Property Guru	Property Guru is a Terralink product which gives instant and accurate property information and acts as a hub for information gathering purposes.
Property in Depth	A fully franchised New Zealand valuation and property consulting service.
PropertyIQ	PropertyIQ International Limited delivers online property information to clients across a wide range of businesses and public sectors.
PropertyProfiler	PropertyProfilers provide an inspection service and structured independent advice on how to enhance, improve and increase the value of properties.

PropertySuite	A web based real estate management system
Propertytoolbox	A website providing tips and practical advice to homebuyers
Prospector	A RPNZ product which allows customers to find properties currently on the market and view their advertising history as well as the details of the owner/occupier.
QuickMaps	QuickMap provides unlimited access to sales and property information throughout New Zealand including electronic house valuer, building details, house finder, aerial photos and maps.
qv.co.nz	PropertyIQ's property information website providing property and valuation reports including E-Valuer, recent sales and certificate of title. PropertyIQ licenses use of the QV brand and the qv.co.nz URL from Quotable Value Limited.
REINZ	The Real Estate Institute of New Zealand is a national body with over 10,500 real estate professionals as members. It runs a commercial operation providing data and services to its members and third party customers.
RP Data	The biggest provider of property information, analytics and risk management services in Australia and New Zealand
rpnz.co.nz	RPNZ offers real estate property valuations and house prices around New Zealand.
StreetCam3D	A camera owned by Terralink capable of capturing over 1.3 million points of location data every second. It is planned to capture every street in the country to provide a base dataset of highly accurate 3D spatial data.
Streetvalue	Offers customers free and comprehensive reports for properties throughout New Zealand.
Terralink	Terralink International Limited provides land and property information, spatial data services and geospatial solutions.
TerraMatch	Links addresses to valuation and title information, allowing clients to use different property identifiers to access current property information.
TerraView Platinum	A desktop based land and property information tool, available on CD and DVD with information on over three million land parcels throughout New Zealand.
Tom Tom	A provider of navigation and location-based products and services. Tom Tom's provides maps, traffic information, navigation technology power, automotive in-dash systems, mobile devices, web based applications and government and business solutions.
TradeMe	TradeMe is New Zealand's largest auction and classified site owned by Fairfax.
Valex	Valex provides a total valuation and valuer panel management solution for the residential lending industry. Valex does not conduct the valuations itself, rather it distributes the valuations to a panel of qualified panel firms and manages the process on the lender's behalf.
Value Pro	A software package used for running a property valuation practice.
Value My Home	Provides clients with a full market appraisal of their property on today's market.
Veda	Veda accumulates, transforms and connects data and provides the most comprehensive and current data source in Australia and New Zealand.
Whatpricemyhome	Provides customers with comparable home prices of houses that have been recently sold in their neighbourhood.

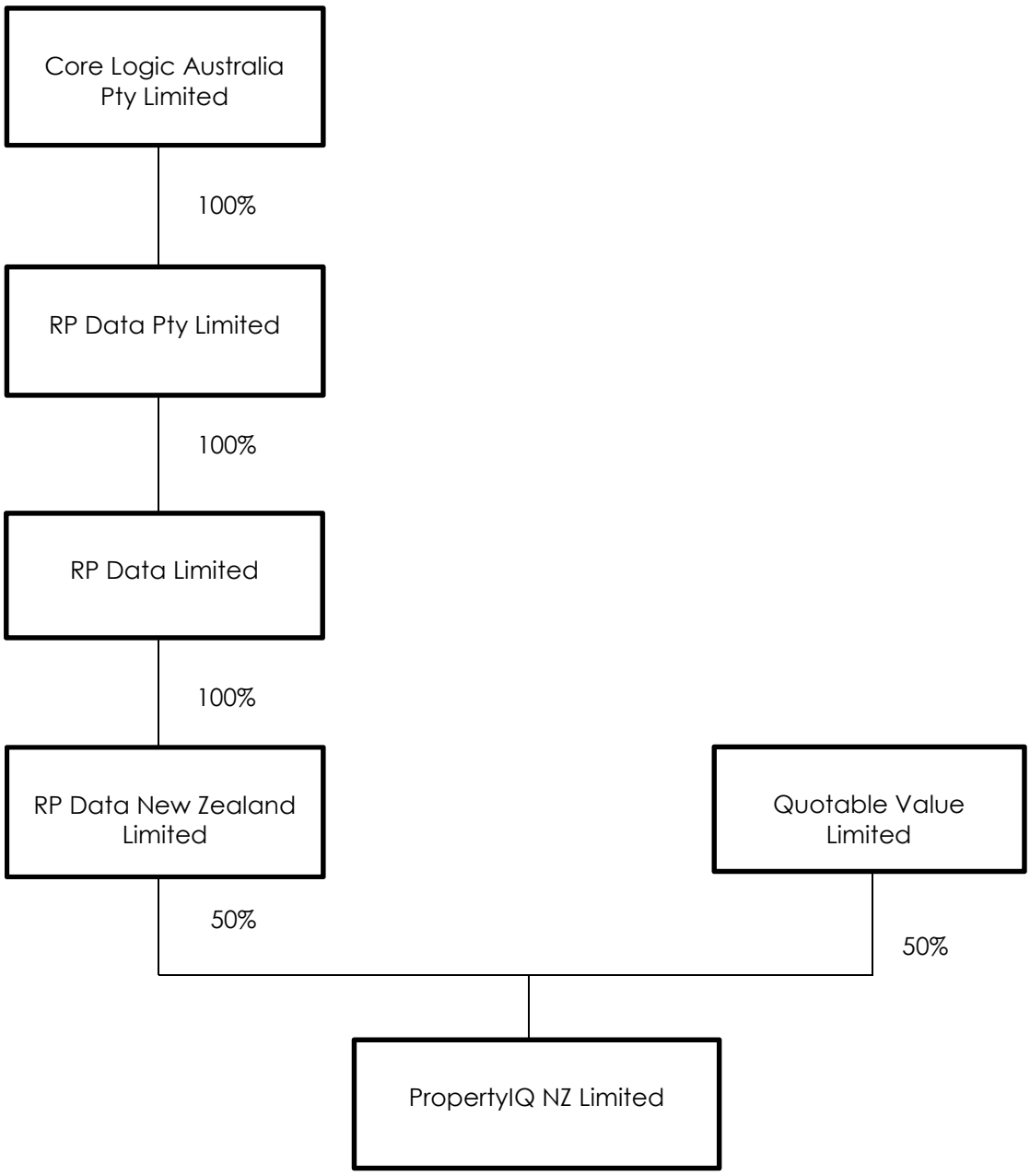
Westpac	Westpac Institutional Bank
200Square	An online real estate agent.

TECHNICAL TERMS	
3D LIDAR	LIDAR stands for "light detection and ranging" and is based on a laser-radar paradigm. Airbourne LIDAR sensors are used by companies in the remote sensing fields. It can be used to create digital terrain models and digital elevation models.
API	An application programming interface which specifies how some software components should interact with each other.
AVM	Automated valuation model is the name given to a service that provides real estate property valuations using mathematical modelling combined with a database. Most AVMs calculate a property's value at a specific point in time by analysing values of comparable properties. Some also take into account previous surveyor valuations, historical house price movements and user inputs. It is a technology driven report. Appraisers, investment professionals and lending institutions use AVM technology in their analysis of residential property.
Cadastre	Is a comprehensive register used to define the dimensions and location of land parcels described in legal documentation. It will commonly include details of the ownership and tenure, the precise location, the dimensions and the cultivations if rural.
CAPEX	Capital expenditures (which create future benefits)
Certificate of Title	A Certificate of Title proves the ownership of the land and the rights and restrictions that apply to the land.
CMA	Current Market Analysis
CRM	Customer relationship management
CRS	CRS (Core Record System) refers to the two of five main data sets that LINZ maintains being the land parcel and the land title data.
Double keyed	Process used when information is entered into a database twice and then compared to ensure they match.
DVR	District Valuation Roll
E-Valuer	A report provided by QV which gives an indicative current market value for a selected property. An E-Valuer estimates the current market value of a property by identifying recent sales of other properties in the area that are considered "comparable".
FMV	Full market valuation
LIDAR	A remote sensing technology that measures distance by illuminating a target with a laser and analysing the reflected light.
LVR ratio	Loan to valuation ratio
My house value tracker	A report provided by QV which allows people to track how their property's estimated market value has changed over the past two years.
Opex	Operational expenditure is expense incurred in the course of ordinary business
Panel Valuation Service	A web based service through which panels of valuation firms provide valuation reports to trading banks in New Zealand.
PIM	Project information memorandum
RFP	Request for proposal

RPNZ Mobile App	Mobile phone application which allows users to see property details of residential houses and apartments available for viewing.
RV	Rating valuations provide key details about a property's valuation and provide a comparison between properties in an area.
SME	Small and medium sized enterprise
Strata property	Strata title is a form of ownership devised for multi-level apartment blocks and horizontal subdivisions with shared areas. The strata part of the term refers to apartments being on different levels or "strata".
Westpac Homeclub	A "home buying hub" which provides potential house purchasers with property information, values, tools, tips and advice about properties.
XML data feed	Extensible markup language is a data delivery language. XML data feeds are a form of paid inclusion where a search engine is fed information about an advertiser's web pages by XML.

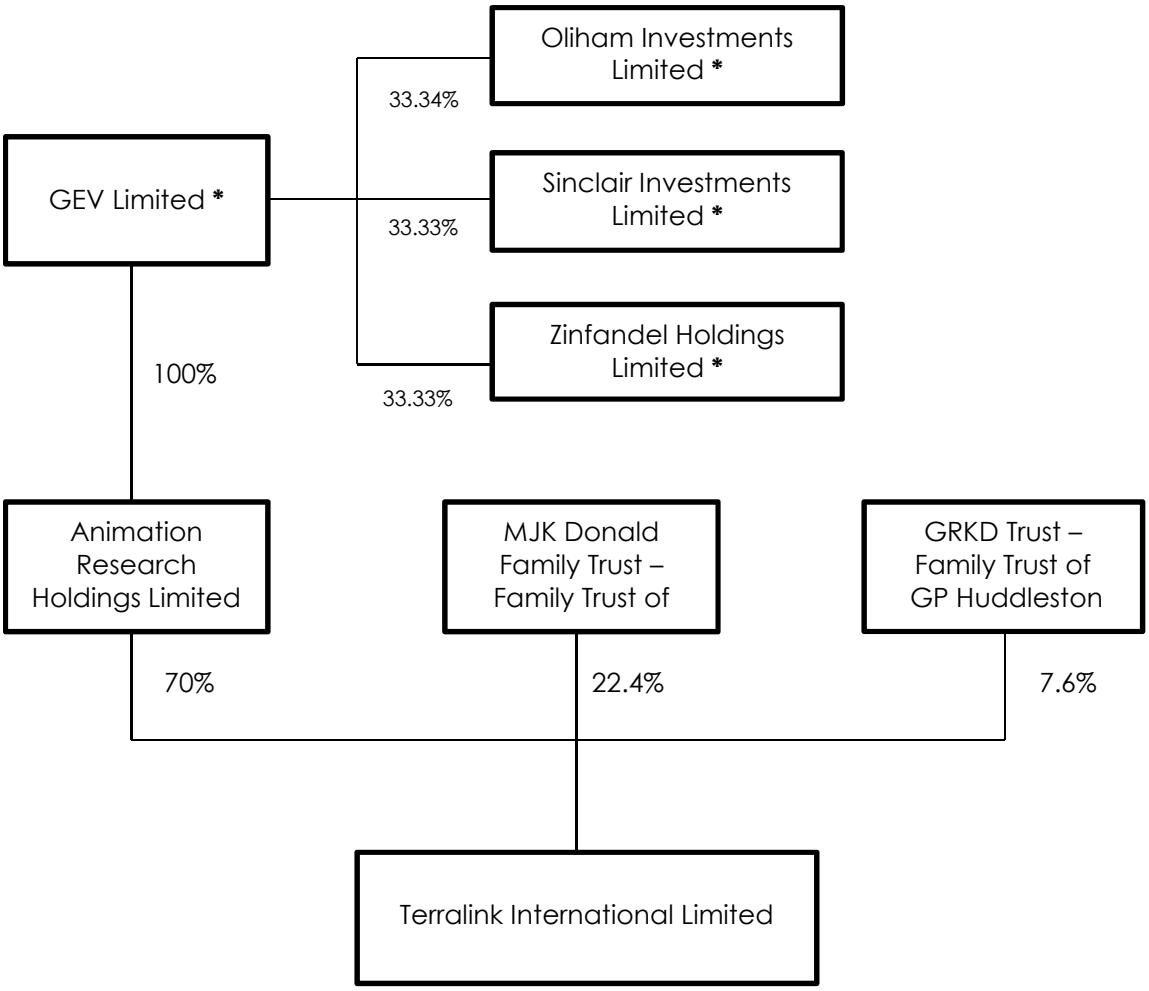
APPENDIX 2

SHAREHOLDER STRUCTURE DIAGRAM OF PROPERTYIQ NZ LIMITED



APPENDIX 3

SHAREHOLDER STRUCTURE DIAGRAM OF TERRALINK INTERNATIONAL LIMITED



* Investment entities associated with Eion Edgar, Graeme Gosney, Murray Valentine

APPENDIX 4

PROPERTYIQ'S PRICING

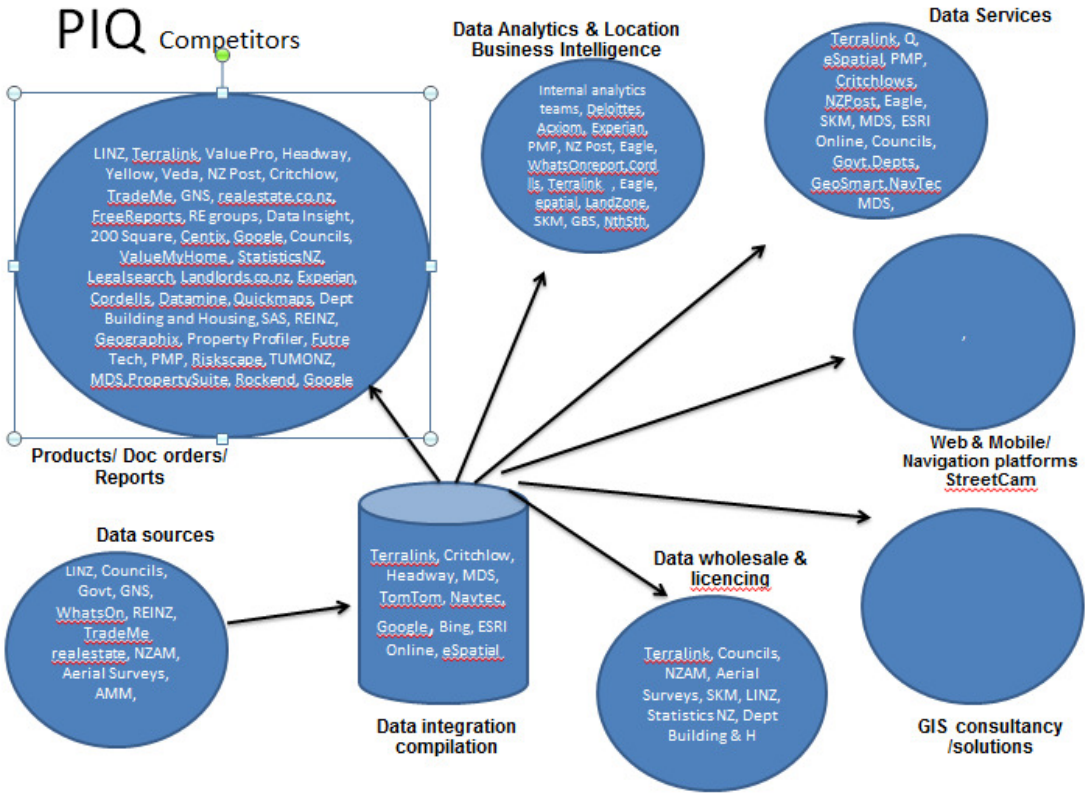
APPENDIX 5

AREAS OF OVERLAP

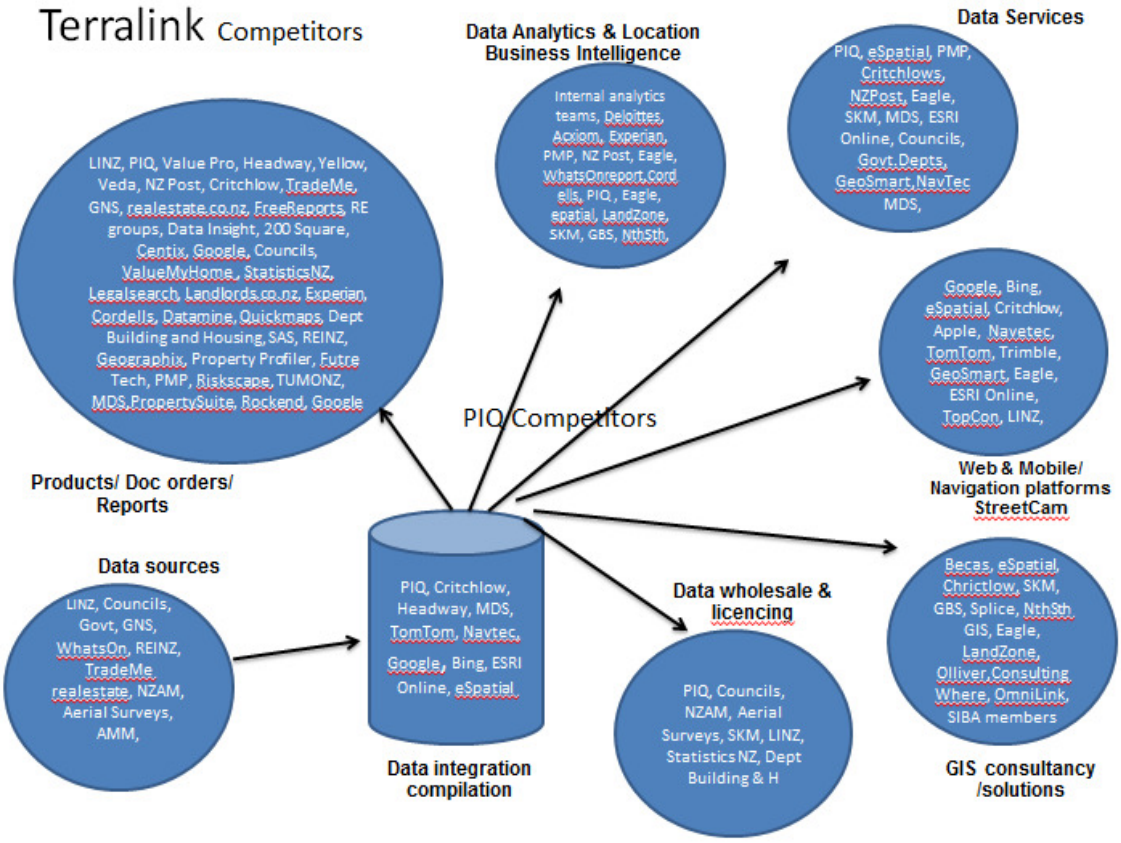
Market	PropertyIQ	Terralink
Consumer Property Reports	qv.co.nz (a) Comprehensive property guide including eValuer (b) Comprehensive property guide excluding eValuer (c) Basic property guide (d) Local sales (e) Rating valuation (f) Document ordering (g) Sales history (h) My house value tracker (i) Property history (j) Property trend (k) E-Valuer (l) Property statistics (m) Property research (n) Sales detail (o) Suburb sales notification	Zoodle (a) Comprehensive Property report including home valuer (b) Property Summary (c) Local sales (d) Rating Valuation (e) Home Valuer (f) Free Census reports (g) Free suburb information (h) Free school zone information (i) Free property boundaries (j) Legal title documents
Property Professionals Information Services	(a) www.rpnz.co.nz (b) Document ordering	(a) PropertyGuru.co.nz (b) Document ordering
Corporate Property Information Services	propertyiq.co.nz qv.co.nz Bank MarketShare Custom data and analytics	Terranet (a) Document ordering (b) Home Valuer (c) Sales Reports (d) Rating Valuation (e) Sales History (f) Ownership Report (g) Property Summary Terrabank (a) Data Analysis (b) Mortgage share (c) Address cleansing (d) Mortgagee sales

APPENDIX 6

PROPERTYIQ COMPETITORS



TERRALINK COMPETITORS



APPENDIX 7

PRODUCTS AND SERVICES WITHIN THE MARKET

	PropertyIQ	Terralink	Competitors

Consumer/ Public	(a) Comprehensive property guide including eValuer
	(b) Comprehensive property guide excluding eValuer
	(c) Basic property guide
	(d) Local sales
	(e) Rating valuation
	(f) Document ordering
	(g) Sales history
	(h) My house value tracker
	(i) Property history
	(j) Property trend
	(k) Hazard report
	(l) E-Valuer
	(m) Property statistics
	(n) Custom data analytics
	(o) Property research
	(p) Sales detail
	(q) Suburb sales notification
	(r) QVInsider
		Zoodle
		(a) Comprehensive Property report including home valuer
		(b) Property Summary
		(c) Local sales
		(d) Rating Valuation
		(e) Home Valuer
		(f) Free Census reports
		(g) Free suburb information
		(h) Free school zone information
		(i) Free property boundaries
		(j) Legal title documents
			• Google
			• All Local Councils
			• REINZ
			• TradeMe Property
			• Realestate.co.nz
			• FreeReports
			• Valuemyhome
			• All RE agency groups
			  ○ Harcourts
			  ○ Ray White
			  ○ Hookers
			  ○ Century 21
			  ○ First national
			  ○ Mike Pero
			  ○ PGG Wrightsons
			  ○ Harveys
			  ○ Bayleys
			  ○ Barfoot and Thomson
			  ○ Property Brokers
			  ○ REMAX
			  ○ Professionals
			• Whatprice my home
			• Data Insight
			• 200square
			• Propertyvaluations.co.nz
			• PropertyToolbox.co.nz
			• LINZ
			• Statistics New Zealand
			• Streetvalue.co.nz
			• Legalsearch.co.nz
			• Open2view.com
			• Eastbournesearch.co.nz
			• Department of building and housing
			• Landlords.co.nz
			• Westpac HomeClub
			• ASB iPhone Application
			• WhatsOn
			• Cordells

Finance	(a) Rating valuation report (b) Auto Valuation report (eValuer) (c) Document ordering (d) Local sales report (e) Sales detail	Terranet (a) Document ordering (b) Home Valuer (c) Sales Reports (d) Rating Valuation (e) Sales History (f) Ownership Report	• Bank internal analytics teams • Experian • Acxiom • Veda • Centrix • WhatsOnreport • Cordells

	(f) Hazard report (g) Comprehensive property report (h) Property history (i) Property trend (j) Sales search (k) FMV (panel valuation solutions) (l) Val-IQ (a desktop valuation product) (m) Portfolio valuation - AVAT (bulk data file valuing all residential properties in New Zealand); Bassell 2 and capital adequacy (n) Market share reporting (o) Custom data Custom data comprises: (a) Securitisation valuation services (b) Mortgage Fraud product (c) Customer retention (d) Customer acquisition (e) Customer profiling (f) Credit policy assistance (g) Risk for new mortgages and Risk profiling across existing mortgage book (h) Canterbury Earthquake reporting (i) Mortgagee sale reporting (j) Address services (k) Cleaning, validating, deduping customer data (l) Supply of a unique identifier to the customer database (m) Supply of risk data (up to 50 types of risk) (n) Engagement models (custom data supply into an engagement tool to attract the banks customers eg Westpac Homeclub and ASB	(g) Property Summary Terrabank (a) Data Analysis (b) Mortgage share (c) Geocoding (d) Address cleansing (e) Business Location Intelligence (f) Mortgagee sales	• Edgar Dunn and Company • Datamine • Headway Systems • LINZ • Quickmaps • PMP • NZ Post • Trademe.co.nz • Realestate.co.nz • Open2View • Statistics New Zealand • SAS • All local Councils • Department of building and housing • REINZ • eSpatial • Critchlows • Geographix • Data Insight • Property Profiler • Future Tech • Google • Apple

	iPhone app) (o) Custom property research (p) Monthly property statistics (q) Custom data analytics		
Insurance	(a) Hazard data (tsunami, earthquake, flood, landslide) (b) Address data (c) Unique property identifier (d) Property attribute provision (number of bedrooms, floor area etc) (e) Building cost calculator (f) E-Valuer (AVM) (g) Rating valuation data (h) Comprehensive property report (i) Document ordering (j) Sales detail (k) Property history (l) Basic property guide (m) Custom Data - comprising: • Customer retention • Customer acquisition • Customer profiling • Cleaning, validating, deduping customer data • Supply of risk data • Custom data analytics • Imagery data • Listed property data • Sold property data • Property research • Property activity alerts (listed, sold, increased equity, new mortgage etc) • Property layer match data (Land Parcel layer to Certificate of Title layer to Rating Assessment layer to Address layer	NZ Master Map (a) Data layers (b) Imagery (c) Address (d) Roads (e) eMap (f) Data analytics (g) Business Location Intelligence	• Insurer internal analytics teams • Experian • Acxiom • Datamine • PMP • Critchlows • eSpatial • WhatsOnreport • Cordells • Veda • NZ Post • Statistics New Zealand • REINZ • Edgar Dunn and Company • Data Insight • Property Profiler • Riskscape
Property Investors		Property Guru (a) Listing information (b) Mapping (c) CRS (d) Aerial imagery	• Headway Systems • ValuePro • Councils • QuickMap • TUMONZ • LINZ

			• Real estate Franchisors • REINZ • Listing websites • Real estate offices
Wholesale District Valuations Roll Data	(a) Reseller- Headway Systems (b) Syndicator/Partner- Investar (b) Reseller- Centrix (d) Partner-Infologistics (c) Reseller-Westpac (d) Reseller-ASB (e) Reseller - Terralink/Veda (f) Reseller - PMP Micromarketing (g) Reseller - TradeMe	N/A	• Whatsonreport • Cordells • TradeMe • Real Estate.co • LINZ • Building and Housing • Police • All local Councils • NZ Aerial Mapping • Statistics New Zealand • REINZ • Critchlows • Sensis • Digital Globe • SKM • Dept of Education • Geological and Nuclear Sciences

Property Professionals	(a) www.rpnz.co.nz
	(b) Document ordering - rpnz.co
	(c) www.iAdvise.co.nz
	(d) Cityscope
	(e) Lister
	(f) iPhone app
	(g) OnTheMarket
	(h) Comprehensive property guide including E-Valuer
	(i) Comprehensive property guide excluding E-Valuer
	(j) Basic property guide
	(k) Local sales
	(l) Rating valuation
	(m) Document ordering
	(n) Sales details
	(o) Sales search
	(p) My house value tracker
	(q) Property history
	(r) Property trend
	(s) Hazard report
	(t) E-Valuer
	(u) Property statistics
		(a) PropertyGuru.co.nz
		(b) Document orders
			• Headway Systems
			• Quickmaps
			• All Local Councils
			• LINZ
			• REINZ
			• TradeMe Property
			• Realestate.co.nz
			• PropertySuite
			• Franchise Groups
			  ○ Harcourts
			  ○ Barfoots
			  ○ Bayleys
			  ○ Raywhite
			  ○ Hookers
			  ○ PGG Wrightsons
			  ○ Century21
			  ○ First National
			• OSL software
			• OntheHouse
			• Rockend
			• FreeReports

	(v) Custom data analytics (w) RPNZ Mobile App		
Government/ Corporate/ SME	**Government** (a) Property attribute data (b) AVM's (c) desktop valuations (d) property statistics (e) addressing data (f) property risk data (g) Cityscope (h) Comprehensive property guide including eValuer (i) Basic property guide (j) Local sales (k) Rating valuation (l) Certificate of Title (m) Sales history (n) Property history (o) Property trend (p) Hazard report (q) Custom data analytics (r) Property research Other Corporate (a) Property Attribute data (b) Property risk data (c) Property statistics (d) Customer acquisition data (e) Customer retention data (f) Activity alerts (listed, sold, new mortgage etc) (g) Address data (h) AVM's (i) Comprehensive property guide including eValuer (j) Basic property guide (k) Local sales (l) Rating valuation (m) Certificate of Title (n) Sales history	• Terranet	• Internal analytics teams • Information Logistics • WhatsOnreport • Cordells • Statistics New Zealand • TradeMe • Real Estate.co • LINZ • All local Councils • Google • Apple • SKM • Internal analytics teams • Acxiom • Experian • PMP • NZ Post • Datamine • WhatsOnreport • All local Councils • Cordells

	(o) Notify me next sale (p) My house value tracker (q) Property history (r) Property trend (s) Hazard report (t) Property statistics (u) Custom data analytics (v) Property research		
qv.co.nz	(a) E-Valuer - providing an estimate of market value (b) Recent house sales across a neighbourhood (c) Sales or property history (d) Rating valuations (e) Hazard information (f) School zones (g) Demographic information (h) Market Statistics		
		• eMap (Land and property information on mapping platform)	• Google • Bing • ESRI Online
		• Terra View Platinum	• TUMONZ • QuickMap • REINZ
		• StreetCam 3D	• Google • TopCon • Trimble various
		• Geospatial Solutions.Consultancy	• E-spatial • EAGLE • GBS • Splice • North-South GIS • Others
		• Data Services	• Critchlow • GeoSmart • LINZ • Councils • NZ Post • Government departments • SIBA members • Teleatlas • Navtec • Eagle ESRI online
		• Web mapping services and Data feeds • In Car navigation	• LINZ • ESRI online • EAGLE • Critchlow

		• Fleet navigation	• Google • Wayze • Smartrax • TracMap • Navtec • Tom Tom • Apple

APPENDIX 8

LET TEST TABLE

Market Segment	Competitor	Likelihood	Extent	Timing
Consumer	Google	High	High	within 1 year
	All local Councils	Medium	Medium	1 year
	REINZ	High	Medium	within 6 months
	TradeMe Property	Medium	High	Within 1 year
	Realestate.co.nz	Medium	High	Within 1 year
	FreeReports	Low	Medium	Within 6 months
	Valuemyhome	Low	Medium	Within 1.5 years
	All RE agencies ● Harcourts ● Ray White ● Hookers ● Century21 ● Mike Pero ● PGG ● Wrightsons ● Harveys ● Bayleys ● Barfoots ● Property Brokers ● REMAX ● Professionals	High	Medium	Within 6 months
	Whatpricemyhome	High	Medium	Within 6 months
	Data Insight	Low	Low	Within 1.5 years
	200Square	High	Medium	Within 6 months
	Propertyvaluations.co.nz	Medium	Low	Within 1 year
	Propertytoolbox.co.nz	Medium	Low	Within 1 year
	LINZ	Medium	High	Within 1.5 years
	Statistics New Zealand	Medium	High	Within 1.5 years
	Legalsearch.co.nz	Low	Medium	Within 1 year
	Eastbornesearch	Low	Medium	Within 1 year

	Department of building and housing	Medium	medium	Within 1 year
	Landlords.co.nz	Low	low	Within 1.5 years
	WestpacHomeclub	High	High	Within 6 months
	ASB iPhone app	High	High	Within 6 months
	Whatson	Medium	medium	within 1 year
	Cordells	medium	low	within 1 year
Professionals	Headway Systems	high	high	within 6 months
	Quickmaps	high	high	within 6 months
	All Councils	medium	high	within 1 year
	LINZ	medium	high	within 1.5 years
	REINZ	high	high	within 6 months
	All RE agencies ● Harcourts ● Ray White ● Hookers ● Century21 ● Mike Pero ● PGG ● Wrightsons ● Harveys ● Bayleys ● Barfoots ● Property Brokers ● REMAX ● Professionals	high	high	within 6 months
	TradeMe Property	high	high	within 1 year
	Realestate.co.nz	high	high	within 1 year
	PropertySuite	high	medium	within 1 year
	OSL Software	Low	medium	within 1 year
	Onthehouse	High	medium	within 1 year
	Rockend	medium	medium	within 1.5 years
	Freereports	low	medium	within 1 year
Banking	Bank internal analytics teams	High	high	within 6 months
	Experian	High	high	within 1 year
	Acxiom	High	high	within 1 year

	Veda	High	High	within 6 months
	Centrix	High	high	within 1 year
	Whatson report	Low	Low	within 1.5 years
	Cordells	low	low	within 1.5 years
	Edgar Dunn	Low	low	within 1 year
	Datamine	Medium	medium	within 1 year
	Headway Systems	medium	medium	within 1.5 years
	LINZ	medium	high	within 1 year
	Quickmap	medium	medium	within 1 year
	PMP	medium	medium	within 1 year
	NZ Post	high	medium	within 1 year
	TradeMe	high	medium	within 1 year
	Realestate.co	high	medium	within 1 year
	Open2view	low	medium	within 1.5 years
	Statistics New Zealand	medium	medium	within 1 year
	SAS	low	medium	within 1.5 years
	All Councils	medium	medium	within 1 year
	Dept of building and housing	low	low	within 1 year
	REINZ	high	medium	within 1 year
	eSpatial	low	medium	within 1.5 years
	Critchlows	medium	medium	within 1.5 years
	Geographix	low	low	within 1.5 years
	Data Insight	High	medium	within 6 months
	Property Profiler	high	medium	within 6 months
	Future Tech	low	medium	within 1.5 years
	Google	medium	medium	within 1 year

	Apple	low	medium	within 1.5 years
Insurance	Internal insurer analytics teams	high	high	within 6 months
	Experian	high	high	within 1 year
	Acxiom	high	high	within 1 year
	Datamine	medium	medium	within 1 year
	PMP	medium	medium	within 1 year
	eSpatial	medium	medium	within 6 months
	Critchlows	medium	medium	within 6 months
	Whatsonreport	low	low	within 1.5 years
	Cordells	low	low	within 1.5 years
	Veda	medium	medium	within 1 year
	NZ Post	medium	medium	within 1 year
	Statistics New Zealand	medium	medium	within 1 year
	REINZ	low	medium	within 1.5 years
	Edgar Dunn	medium	medium	within 1 year
	Data Insight	high	high	within 6 months
	Property Profiler	high	high	within 6 months
	Riscape	high	medium	within 6 months
Other Corporate	Internal analytics teams	High	high	within 1 year
	Acxiom	high	high	within 6 months
	Experian	high	high	within 6 months
	PMP	high	medium	within 1 year
	NZ Post	high	medium	within 1 year
	Datamine	medium	medium	within 1 year
	Whatsonreport	medium	medium	within 1 year
	All local Councils	low	medium	within 1.5

				years
	LINZ	medium	medium	within 1.5 years
	TradeMe	low	medium	within 1 year
	Real estate.co	low	medium	within 1 year
	Open2view	low	low	within 1.5 years
Government	Internal analytics teams	high	medium	within 1 year
	Information Logistics	high	medium	within 6 months
	Whatsonreport	medium	low	within 1 year
	Cordells	low	low	within 1.5 years
	Statistics New Zealand	medium	low	within 1 year
	TradeMe	low	low	within 1 year
	Real estate.co	low	low	within 1 year
	LINZ	medium	medium	within 1 year
	All Councils	medium	medium	within 1 year
	Google	medium	medium	within 1 year
	Apple	medium	medium	within 1 year
Wholesale	Whatsonreport	low	low	within 1 year
	Cordells	low	low	within 1.5 years
	TradeMe	low	medium	within 1 year
	Realestate.co	high	medium	within 1 year
	Open2view	low	low	within 1 year
	LINZ	medium	medium	within 1 year
	Statistics New Zealand	low	low	within 1.5 years
	Dept of building and housing	low	low	within 1.5 years
	Police	low	low	within 1.5 years
	All local Councils	medium	high	within 1 year
	NZ aerial mapping	medium	low	within 6 months

	REINZ	high	high	within 6 months
	Critchlows	high	medium	within 6 months
	Sensis	medium	low	within 1 year
	Digital Globe	medium	low	within 1 year
	SKM	medium	low	within 1 year
	Dept of Education	low	low	within 1.5 years
	Geological and Nuclear Sciences	high	low	within 1 year
	Google	low	medium	within 1.5 years

APPENDIX 9

PROPERTYIQ NZ LIMITED FINANCIAL STATEMENTS

APPENDIX 10

TERRALINK INTERNATIONAL FINANCIAL STATEMENTS