

**NZME LIMITED AND FAIRFAX NEW ZEALAND LIMITED
COMMERCE COMMISSION CONFERENCE**

7 DECEMBER 2016

9.30 am

Plurality2

CHAIR: Welcome back to day two of the conference on the Fairfax NZME merger. I'm not sure whether I have to redo the health and safety comments I did yesterday, but out of an abundance of caution I'll give you my truncated version of it and, that is, if a siren sounds you'll be ushered out to an assembly point and if there's an earthquake it's crouching and holding in here until such time as it's safe to go outside, don't go rushing outside, I think those were the two key points.

One other matter of housekeeping, the draft of the transcript for yesterday's public sessions are available and they'll be published on the website today. That will appear on our NZME Fairfax project page.

Today is going to be exploring some wide-ranging views initially on plurality and there'll be just a bit of traffic and organisation because not only will we hear from the executives of the company, but we are keen today to hear from journalists with different voices and I assume they are present in the room today and will come in, some on the phone as well. So we just have to be very careful for the record to make sure that everybody is identifying themselves and speaking clearly into a source that can be heard by the stenographer.

So do bear with me as the day goes on to try and manage the dynamics of that. Given the numbers of people who wish to speak, as I understand it, could people keep their comments succinct and it's not an open floor platform. The questions are directed to the journalists, the current editors and staff of the merged entity and also other journalists who want to speak to us.

I'll turn now to the first session on plurality which is looking at the concept of the internal notion of plurality. I'll just start out first of all in terms of the framework questions to the topic. In our Draft Determination we outlined two aspects to media pluralities and these are, first of all, the wide range of information and opinions and perspectives that are

1 available to the public through the media. That's part one of it.

2 Part two is that no individual media owner should be in a position to shape or
3 control the news and political agenda, either by influencing media users through editorial
4 content or by directly leveraging the political process.

5 Can I just check to see whether there's any disagreement with that as an appropriate
6 high level framework to be thinking about media plurality?

7 **PROF PICKER:** I don't know I'm being pointed at, so I take it that means I'm supposed to say
8 anything. I guess I want to say a couple things, if I could. So I think it's important to
9 distinguish what I think of as traditional antitrust perspectives on product variety from sort
10 of broader social issues. I think those are different. I don't know New Zealand law, I'm not
11 an expert on that, so I'll leave that to you, but I do think that there's a way in which product
12 variety is a pretty traditional antitrust notion.

13 I think to the extent you try and step beyond that to, I sound like an economist,
14 externality, spill-overs, broader concerns, then I think you're stepping outside of antitrust
15 proper. I'll just flag on that, all I've read is the press release. So the EU issued its press
16 release in Microsoft LinkedIn decision today. That decision, they've blessed that subject to
17 conditions.

18 One of the things they emphasise in the press release is the role that privacy played
19 in their decision-making. They say, well, there's a way in which privacy is a standard
20 product quality issue, okay, we'll deal with that in antitrust, but to the extent that you're
21 talking about broader social issues that's not a traditional antitrust concern and that's
22 something they leave for other authorities. I'll just leave it at that.

23 **CHAIR:** Perhaps if I can just respond to that. The public benefit jurisprudence has been raised in
24 legal submissions and we will be addressing those matters in our final determination. So if
25 I can just park that debate to one side, given our jurisprudence and our view does permit
26 externalities to be considered. So I just think that's something that, you know, given the
27 audience that's here today, we just want to get direct evidence on these issues. But I hear
28 what you say, and as I say, we will be addressing it in our final determination. Are there
29 any other comments that participants want to raise on that issue? **[No comments]** Okay.

30 The other high level framework question is that we have divided this into looking at
31 it externally and internally which I assume is, in a framework sense, not a matter for debate
32 at all.

33 PLURALITY

34 **CHAIR:** Let's move to the internal plurality questions that we want to run through. We have

1 heard from many of the current staff of the merged entity that we've not given appropriate
2 weight to the internal checks and balances which they say exist now, or should give us
3 assurance into the future that we can be sure that internal plurality will continue to be a
4 significant force in the industry.

5 Can I just start by asking the two chief executives about their philosophy on
6 editorial independence and diversity. How do you go about setting your policies for the
7 way that your companies operate on these questions?

8 **MR BOGGS:** Good morning, it's Michael Boggs here from NZME. I think it's clear and
9 obviously we've submitted a code of conduct, and clear in that the editorial independence
10 features, you know, front and centre in the overall code from an editorial perspective. I
11 think I shared with you yesterday, we often get challenged, even by advertisers for
12 example, and again, we may well come back to that from both an internal and an external --
13 and that's a call I take regularly.

14 Where we are challenged, for example, by a large advertiser is to "What have you
15 written and why have you written that?" That's not my call.

16 Again, just to reiterate what I said yesterday, I think a number of people think I am
17 sitting at my desk waiting to push the button on the printing press at 11 o'clock at night to
18 say exactly what's going to be there, but it is completely independent and, go back to the
19 two questions I'll always ask someone when they come to talk about what may have been
20 written, what may be in a video, were you consulted? Did you get a chance to have an
21 opinion on it, and is the information accurate? That's all I want to know, because, you
22 know, the team of journalists that we have in the business is completely focused on winning
23 every day.

24 Now, that winning for them is around -- and we may well hear more of this from
25 Fairfax I'm sure as well -- is really around how do they get the best story? How do they
26 compete not only with each other but with the person that they're interviewing? How do
27 they get that diversity of view and it's not about being first, it's not about getting the most
28 hits on the website, it's about actually having something that's highly engaging and
29 something that is important to readers that they can be proud of. We see that every day in
30 our business.

31 **CHAIR:** Thank you.

32 **MR TONG:** Good morning, Simon Tong, Managing Director of Fairfax New Zealand. Fairly
33 clear view, in the three years that I've been involved as the Managing Director, I have not
34 had any occasion to get involved in editorial decisions. It is entirely Sinead and her

1 leadership teams' purvey and yes, there is just simply no -- there are no examples where I've
2 got involved and nor do I expect to be, plain and simple.

3 What I would like to do now is introduce Greg Hywood who's here, who's joined us,
4 who's the group CEO, an ex-editor of some note to maybe comment also on his experiences
5 as our group CEO.

6 **MR HYWOOD:** Thank you. As I say, my name's Greg Hywood I'm CEO of Fairfax Media
7 which is the company that holds the Fairfax New Zealand asset as part of a broader group
8 of media assets across Australia and New Zealand. I'm sure you know Fairfax Media is a
9 185-year old company. The Sydney morning Herald which was the original asset is the
10 second continuously, the longest continuously published publication in the world after the
11 Times of London.

12 And editorial independence is absolutely at the core of what we do. I started in the
13 company in 1976 as a junior reporter and have worked through the organisation in various
14 capacities. Right from the beginning it was instilled in us that this was the core value, but it
15 goes beyond the core value, it also goes to the credibility of the business and the
16 sustainability of the business.

17 If you don't exercise editorial independence, your audience won't come to you. If
18 your audience doesn't come to you, you can't have an audience that attracts advertisers. So
19 in a sense, it's a virtual circle. So it's not just a matter of principle, it's a matter of
20 commercial necessity that we do that.

21 So therefore, if our managers attempt to tell editors what they should or shouldn't do
22 on the basis of short-term economic interest, they jeopardise the longer term health of the
23 business. So, absolutely managers, including myself, get calls from advertisers, very large
24 companies who have spent a lot of money with us over many years, very, very upset at the
25 editorial coverage that they receive.

26 What we do is we refer the complaint to the editors and say that is their
27 responsibility. So, talk to the editor, the editor can work through those issues. We do not
28 say you should do this or you shouldn't do that. In my entire experience with the
29 organisation over many, many years, that is the way in which we operate and if managers
30 don't operate like that, there is a serious issue that they have to address. Let me just say,
31 I haven't had an example of having to do that.

32 **CHAIR:** Thank you. I'd like to turn to questions to the journalists and I'll start by addressing the
33 question to those Fairfax and NZME journalists here today who wish to express a view on
34 it. The first question I have is on key recent matters of international and national news.

1 Can you give us examples where, within your organisations, you have had a diversity of
2 views and expressed such diversity through the media.

3 Also, if you can opine on how often this in fact happens. If we can just get some
4 feel over whether it's the last month or the last six months, whatever. If we can just get a
5 cross-section of telling us how -- within your organisations, there's a divergence of
6 opinion -- how does that unfold in terms of how it comes to the consuming public?

7 **MS BOUCHER:** I can give one current example of where one of our regional editors has referred
8 to me a very sensitive story that they are intending to publish that I disagreed personally
9 with some elements of how they had treated it, but the decision is fully that editor's to
10 publish and they will publish that story.

11 So, as professionals and colleagues, we can have the debate, I can give my
12 perspective, as have other senior editors have discussed, but that decision fully rests with
13 that local editor and that story will be appearing in our publications any day. So even I, as
14 the executive editor, cannot and would not seek to suppress or control the angle or the types
15 of stories that other editors and journalists in the country seek to publish.

16 I'm concerned about have we defamed anyone, have we broken any laws, you
17 know, the taste barrier's met, those sorts of things. But it's totally up to the local editor to
18 make their own decisions on stories, even though other editors more senior than them
19 disagree with what they are going to do.

20 **CHAIR:** But is that to say we're going to get another story from Fairfax that gives another side to
21 that particular debate that you're not happy with?

22 **MS BOUCHER:** That particular story is a local story but we have many examples where we have
23 had various perspectives, competing opinions, disagreements about how various, you know,
24 issues have been covered, and I don't know whether --

25 **CHAIR:** Yes, somebody wants to volunteer.

26 **MR STEVENS:** I'm Mark Stevens, the Group Digital Editor at Fairfax Media. I just wanted to
27 extend slightly on the story that I know Sinead is referring to, because an important matter
28 there is not only has the decision been left up to the editor involved, I've been involved in
29 the conversations around that, and very much a story of approach in a different way on the
30 same matter will be handled by a different Fairfax product.

31 So we're talking about conversations, pretty high level conversations within the last
32 two weeks, where two different editors of two different products within the Fairfax group
33 will take a different approach to that one story.

34 **CHAIR:** It's probably easier to deal with historic examples where there have been competing

1 views expressed, and just while I have you here as well, if we're talking about online
2 publications, how do you actually deal with the dynamics of that?

3 When I look online, I start scrolling down the page and how do you work out the
4 placement of the story and so on. You've got two different views, two different editors, two
5 different journalists with views; how can I expect to see that online. Can you give me
6 historic examples?

7 **MR STEVENS:** I can think of an historic example -- and I hope this answers the question --
8 where as an editor at the time of a product which I'm no longer the editor of, it was a very
9 topical matter in New Zealand, it was a marriage equality debate. I, as an editor, took a
10 position we were going to go as far as lobbying or campaigning, for want of a better word,
11 on legislative change.

12 We still very much covered both sides of that story. We took a position on it, yet
13 we had people from both sides of the political spectrum not only given equal weight but
14 equal presence on the site. I think one other thing that's probably relevant to that
15 conversation is I didn't just do that independently as an editor, I did that -- I wouldn't go as
16 far as saying as in opposition to -- but certainly without the support of the executive editor
17 of Fairfax at that time.

18 **MS NORRIS:** If I may speak to this also. I think part of the assumption built into that question is
19 that there is a discussion prior to publication and it's very important to understand that all of
20 our editors act independently, and there are very few scenarios where we would actually
21 have a collective discussion prior to publication on any single issue. If we look at the
22 biggest story of the week, which is of course the resignation of the Prime Minister, we
23 simply didn't sit down and say what is our collective position on the legacy of the Prime
24 Minister, for example, or who the likely replacement should be, it just simply doesn't
25 happen. We form an independent view, as do our journalists.

26 **CHAIR:** What happens in terms of decisions and placement of material on Stuff? Can journalists
27 independently put material on it? What's the filtering process or other decision-makers?
28 How does that all work?

29 **MR CREWDSON:** If I may, I'm Patrick Crewdson, I'm the editor of Stuff. I'd like to give a
30 recent example of a story and show how that was treated with a diversity of views and then
31 explain both the publishing process for that, but also how the system is designed for
32 independence and diversity of views.

33 You'll remember the case recently of the young man, Losi Filippo, the rugby player
34 who was initially spared the conviction for assault because the judge decided that it would

1 have an unfair impact on his career. So we published a wide range of news reporting on
2 that topic, but also a very wide range of opinion covering almost every conceivable angle
3 on that story.

4 "It's a disgrace", you know, "the judge's decision is a disgrace, the rugby union is
5 missing in action, hang on, don't hang this poor guy out to dry, rugby's not to blame here,
6 rugby is to blame here". So we published a very wide diversity of views. Part of the reason
7 for that was that there was a large number of editors who were commissioning those views.

8 So as Stuff editor I would, as the head of Fairfax's sport vertical, a man named Fred
9 Woodcock would, we've published pieces that came from Joanna's team, we published
10 pieces that came from the Wellington news room. So we published a wide range of views
11 and the thing about the way those were commissioned is that they were all done completely
12 independently.

13 So Fairfax' structure is designed with -- the editorial structure is broken into news
14 rooms and verticals. So the news rooms are geographic constructions, Wellington,
15 Auckland, Timaru, Christchurch so on, and the verticals are topic based, sport, business,
16 life and style, politics, and the head of each of those verticals or each of those news rooms
17 has end-to-end responsibility for what they do.

18 So that's from the commissioning of content, the hiring of staff, the hiring of regular
19 contributors or columnists, all the way through to publishing on Stuff and in any relevant
20 print products. They all do that independently. So on a case like Losi Filipo, as Stuff
21 editor, I can take a view on that case and I can commission stories on it.

22 Fred Woodcock, as the sport editor, can do the same and the important thing is that
23 neither of us have any need to check with each other about what views we're taking or
24 about how they're published. We then have various promotional channels for how we
25 distribute that material. So we have the Stuff homepage which the team that I manage
26 administers, we have our Facebook page, we have various print products, we have different
27 sections within the site.

28 So Fred Woodcock's team would be in charge of what's ranked high in our sports
29 section, for instance. So we have a system that's designed, even within one organisation, to
30 protect these different -- to protect the independence of different editors. And just to
31 reinforce the points that others have made earlier, we do that partly because of the
32 importance of journalistic independence, but if you're not persuaded by the kinds of notions
33 about the internal things that drive us, we also do it because we are seeking the biggest
34 audience and we know that publishing a diversity of views attracts more people, more

1 readers, than publishing just one.

2 Sorry, I know this is a very long answer, but one final point that I should make, is
3 that part of our publishing mix, and we did this on the Losi Filipo story as well, is
4 contributions from our readers. So we have a system called Stuff Nation which is a
5 user-generated content publishing system, where members of Stuff can submit stories for
6 publication, and during the Losi Filipo scandal, as we do during any high profile story, we
7 solicited and published views from readers, which we tidy up for spelling and grammar but
8 never edit for tone or editorial stance, and we consider that that reflection of our audience
9 diversity of views is a really important contribution to any story as well.

10 **CHAIR:** Is there ever any pushback on pieces that come forward? Is there ever a process where a
11 journalist comes up with a piece of work to be placed on Stuff and it doesn't end up getting
12 placed? Is there something there that is relevant?

13 **MS BOUCHER:** I could probably answer that, because the only pushback is if that story doesn't
14 meet our standards, or in some way doesn't live up to our ethics or code of conduct. So is it
15 accurate, is it fair, is it balanced, you know, does it meet the taste barrier, is there anything
16 in it that needs to be legally checked because we've taken a risky, you know, piece of
17 information? That is the only reason that any piece of content would be checked.

18 It's never checked for, "Mmm, I don't really like what that reporter's going at there".
19 Every single day I see stories on our publications that I personally disagree with. We
20 publish -- create and publish -- and you know, from all of our sources, well over 500 stories
21 a day. It would absolutely be impossible to try and monitor those in any way, even if we
22 wished to.

23 So we only monitor them are to the things that are about our standards and our code
24 of conduct and ethics.

25 **MR HYWOOD:** Can I just add something from a high level view of how our organisation treats
26 this issue. We had an example some years ago where Australia's wealthiest woman, Gina
27 Rinehart, became a 15 per cent shareholder in the business. One of the requirements of
28 being a board member of Fairfax is that you do sign up to a charter of editorial
29 independence.

30 Mrs Rinehart would not do that and therefore she was not allowed to join the board,
31 even though she was a 15 per cent shareholder. And, obviously, with considerable
32 economic leverage across the country as being, I think at that stage, the world's wealthiest
33 woman, with assets in excess of \$20 billion.

34 So it is something that we take very seriously and it's something that, at the

1 governance level, there has been absolute examples of making sure that this approach to
2 diversity, this approach to independence is something that is required.

3 **CHAIR:** Thank you.

4 **MR CURRIE:** Can I answer on behalf of NZME? We follow very similar processes as Fairfax
5 but I'll be a little more specific as well about what goes on around our business. So every
6 day in Auckland the editor of the New Zealand Herald will meet with the editorial writer,
7 leader writer, discuss topics of the day, the stance that the newspaper wishes to take on it,
8 and then that leader writer goes away and eventually the leader is batted to and forth until
9 it's ready for publication.

10 At the same time in different parts of the organisation and network, individual
11 editors of the regional newspapers are having similar meetings on their own editorial
12 stances on what could be the same topics or very relevant topics to their own areas of the
13 country. But at no stage am I, as the managing editor, influencing any of those calls.

14 It's up to the individual editors of those publications to determine the stance of the
15 newspaper, and often the newspapers might have opposing views. In fact, there's a very
16 famous case of the Herald on Sunday taking an opposition viewpoint to the daily Herald --
17 they have separate editors -- on the location of a waterfront stadium in Auckland.

18 In terms of more general commentary and our columnists, I think the John Key
19 resignation is obviously the biggest domestic story of the year, along with the earthquake.
20 We've got more than 20 opinion pieces already up over the last 48 hours and on the
21 homepage at the moment on NZHerald.co, at least it was half an hour ago, there's a piece
22 by Rachel Stewart, one of our newer columnists, having a real crack at Key, saying she
23 can't wait to see the back of him. It's completely opposed to a view that Mike Hosking has
24 also written and broadcast this morning on Newstalk ZB, but also appearing on the Herald
25 site, saying he's the best Prime Minister we've ever had.

26 Neither of those people were influenced by any of the editors as to what they should
27 write or, you know, how they should present their views. But it's really important -- this is
28 a major news story obviously -- but on any issue that we have a diversity of opinion and
29 views, and that we house them in a place on the site. So on the site there's an opinion area
30 and you can go to that and you can read all of these different views on any number of topics
31 at any point.

32 In terms of its placement on the wider site, if we deem it newsworthy, the homepage
33 editor and digital editor will say, actually, this is very engaging and it takes its chances
34 along with the rest of the news agenda of the day. But the point being, you know, we are

1 striving every day to have a diversity of views on any number of topics and they're not
2 influenced by editors at all.

3 **MS BOUCHER:** Just one actual example that springs to mind, with Mr Oram on the phone, he is
4 a columnist for Fairfax and has a Sunday News column for us and he has exercised his
5 right, that we support, to completely oppose this merger in the pages of our own
6 newspapers through his column, and --

7 **MR TONG:** Twice.

8 **MS BOUCHER:** -- while it personally might make some of us grit our teeth, we would never
9 dream of suppressing his opinion on that and his right to reach our audience.

10 **MR ORAM:** Could I --

11 **CHAIR:** Yes, Rod. Can you hear me, Rod?

12 **MR ORAM:** Yes, thank you. Thank you for the mention there. I'd just like to point out one
13 thing, though, that the position I took in those two columns was not outright opposition.
14 What I was saying was the case that the two companies had made was unproven in the
15 applications they had made.

16 What I went on to recommend was that if such a merger should eventuate, then the
17 merged entity would benefit very considerably for a very substantially beefed-up code of
18 conduct, privacy policy, data policy and the rest, in ways which match the quality of the
19 (inaudible) from the like of Facebook and Google. So I just want to clarify that that's
20 where those two columns went, rather than being outright opposition to the merger. I was
21 suggesting a better way forward.

22 **CHAIR:** Thanks, Rod. I'll come back and give you some further questions in sequence as we go
23 through the discussion. Can I just ask the Fairfax journalist that spoke, the editor of Stuff,
24 I do remember the Filipino story and it is a good example, but just for the record, it might be
25 helpful if you could just give us a follow-up submission or detail covering that story or two
26 or three others to demonstrate that kind of diversity of view, and how you went about
27 presenting it in those lines of distribution, how that all played out.

28 **MS BOUCHER:** I would also suggest perhaps our political editor might be able to talk to the
29 diversity of views within the political press gallery team itself and how they are expressed.

30 **CHAIR:** So can we hear on that?

31 **MS WATKINS:** Tracy Watkins, Political Editor for Fairfax. I suppose those diversity of views
32 would be reflected in the fact that probably not everyone in the gallery would agree with
33 the merger, I mean some of them have concerns, mainly just about their jobs. So in terms
34 of the diversity of views, and I guess one of the points I made in my submission was about

1 how we go about generating copy and filing it, and the role of the young reporters these
2 days or the reporters in the press gallery, which is very different to the days when I started
3 in the press gallery, which was about 20 years ago.

4 **CHAIR:** How many reporters do you have in the press gallery?

5 **MS WATKINS:** Currently at the moment there are five of us for Fairfax. It was a six-person
6 office and has been most of the time, but one of the people left and because of the merger, a
7 replacement is on hold. But normally it would be a six-person office.

8 I think I explained in my submission the way we go about filing copy now. The
9 reporter is sort of the whole package, in a way. They do the investigative work, they do the
10 writing, they put the package together, and the same for the newspaper, and the website, the
11 story is pretty much packaged up by them and put there.

12 I guess that's one of the points, I think there's a sense there through the
13 determination about editorial influence on the reporters, and on our day-to-day basis
14 effectively what we're trying to do is just cover the story, cover as many angles as possible.
15 I'll commission opinion pieces from people outside of the press gallery as well as from my
16 own staff, and there's no discussion with the editors or Sinead or anyone else about what
17 sort of editorial line we might take.

18 **CHAIR:** Can you give us examples where your five reporters might have a different spin on a
19 political issue? Can we see examples of divergence of opinion between your five press
20 gallery members?

21 **MS WATKINS:** You can see that just in the writing of opinion pieces. Vernon Small, one of my
22 colleagues, he writes a regular opinion piece, I write a regular opinion piece and then we'll
23 have the others writing pieces day-to-day. Even within our own office there are times
24 I might disagree with the way one reporter might see an issue. But at the same time,
25 I accept that that, you know, they're seeing things through different eyes to me. Sometimes
26 it's good because I've been there too long, I might be a bit institutionalised and it's good for
27 me to see them coming up with a completely different point of view and arguing their case.
28 As long as they can do that and it's a sound footing, that's the main thing for me.

29 So we all have very different -- Vernon and I might come at columns in a
30 completely different way and see, say, like the Labour leadership or John Key's resignation
31 in very different ways. We certainly don't tailor each other to sort of have the same point of
32 view, because it's all about having a diversity of opinion. And as I say, I'll commission
33 op-eds from people who are either from the left or the right of the political spectrum
34 because I think that absolutely adds to our coverage of the political debate.

1 **CHAIR:** Can you give us examples, in the way that we got the Filipino case study from the Stuff
2 editor, can you think in recent times of, you know, journalism that you've put out where
3 your staff have had opposing views that we the public have seen?

4 **MS WATKINS:** On a political issue?

5 **CHAIR:** Yes.

6 **MS WATKINS:** I guess the way I'll put it is this: we don't have a history of partisan political
7 reporting in New Zealand so we would never come at it from a left/right point of view.
8 Where we might disagree is on our analysis of the impact or the effect or the implications
9 of a decision.

10 So there will be -- I'm just trying to think, sorry, I probably should have come at you
11 with an example of how we might have had two completely contrasting political columns,
12 and I haven't got one. But it wouldn't be on the basis of a left/right split, because that's just
13 something that in the New Zealand media it's not something that we've ever -- we don't
14 operate on those partisan lines.

15 It's always about analysis, it's about commentary, it's about sort of using our
16 experience and our institutional knowledge to judge how something might play out and
17 where we might disagree is in how we see things might be playing out over the long-term.

18 **CHAIR:** Thank you. Can I put the same questions, we've heard from Fairfax on its practical
19 approach to internal plurality. Could I get the same dialogue in relation to what's
20 happening online with New Zealand Herald and also if your political editor is available,
21 whether I can have that same conversation with both of those journalists.

22 **MR CURRIE:** Audrey, unfortunately, isn't here today, Audrey Young, our political editor, but
23 I'm happy to organise for that to happen.

24 **CHAIR:** I'm just trying to follow the template. We can live without that, but if somebody from
25 your organisation, from the journalistic ranks, can just describe to me how things work with
26 the New Zealand Herald online publication in terms of the harnessing and case studies of
27 some divergent views coming through in stories and how it's been presented.

28 **MR CURRIE:** Yeah, I'm probably the best person to speak to that, and so in terms of the online
29 presence, generally speaking, columns and opinion pieces are in the ranking of the
30 homepage, for instance, they take their chances with the news agenda, as I mentioned
31 earlier.

32 If it's a particularly provocative piece then its life span in the top 10 or 12
33 placements tend to stay there a lot longer. But there is an opinion section within The
34 Herald website and then within each of the different verticals, so news, sport, business,

1 you'll also find all the commentators in there. So there's probably three or four different
2 pipelines where you can find all of the opinion, but certainly one place, if you look at the
3 app now, if you go under "opinion" you'll see everybody there featured.

4 That's across the week and across the day. So we're particularly strong at the
5 weekends around the diversity of views, where people do have time to indulge. The
6 Saturday weekend Herald, for instance, has about eight or nine different columns, three of
7 four or whom are in the A section and often taking -- you know, some are satirical columns,
8 like Steve Braunias, Elizabeth Marvelly, John Roughan, Fran O'Sullivan, these are
9 commentators who are all looking at sometimes the same issues, but often completely
10 different issues and putting their own views on it. So it's a really important part of our
11 editorial mix, and we encourage reader feedback to that of course as well, and whether it's
12 through letters to the editor or op-eds in response to that.

13 The other thing I'd like to say just around the checks and balances on it, when I say
14 we encourage our columnists to be as provocative as possible, I think that's important, but
15 they also need to be basing their opinion on facts and we've had a case -- and there are
16 controls both internally but also with the Press Council.

17 We had a famous case several years ago where Paul Holmes wrote a Waitangi Day
18 column, and it was a rant and it was seen as such by the Press Council who upheld the
19 complaint. And that sort of forced us into a rethink on the way that we look at our columns
20 and just making sure that there is that extra check and balance. So while columns should be
21 provocative, that they are based on a factual foundation.

22 **MS WATKINS:** Could I just add to that, you were talking about the diversity of views on a
23 political issue, I think probably the story this week is the classic example. We've had
24 opinion pieces from myself and from other people in the office, but also commissioned
25 opinion pieces from academics, from left wing sort of figures, from right wing figures, and
26 there's a vast variety of opinion on Key's legacy, as Shane said, you know, amongst those
27 columnists.

28 **CHAIR:** Could you just take me through the dynamics. We heard from Stuff with the Ross Filipo
29 story and same sex marriage and so on. Can you just take me through a case study of
30 what's happening for the editor of New Zealand Herald, how you go about harnessing all of
31 these different points of view and how they come to be published in terms of the time of
32 them, the sequencing, the priority on the page, you know, is there no bias in the way that
33 there's -- if you have divergent views, has the editor got the ability to give preference or
34 priority to one piece over the other that might get more buried? How does that all play out?

1 **MR CURRIE:** Sure. If we take an example of Auckland light rail, light rail to the airport in
2 Auckland which is one of the big transport discussion points, and we've supported that
3 editorially in our editorial column as a newspaper. It doesn't influence the way that we
4 cover that story, though. So the Auckland reporter will cover that in a fair, balanced and
5 accurate way without any regard whatsoever to the newspaper's support of that project.

6 At the same time, we've run columns from some of our columnists who have
7 opposed that or taken a different view, think that the city rail loop is too expensive,
8 shouldn't be built, that there are better solutions in terms of other means of public transport.
9 But at no stage does it influence the editorial treatment and the news treatment of that story.
10 If it's good enough to be on the front page, it will be on the front page. The editorials
11 generally are housed on anywhere between pages 32 to 38 in that spot that readers expect to
12 see it, and of course, letters to the editor next to that, that will often take opposing views to
13 either the editorial or each other.

14 But we treat the news pages separately from the editorial and opinion pieces, and if
15 there is an opinion piece in the news pages it's clearly marked as such.

16 **CHAIR:** How many key editorial pieces are there? It's a question for both organisations. You
17 know, you've got the Christchurch papers and so on, there are different editors throughout
18 the country, but how many editorial voices are being harnessed within each of the
19 organisations for that key editorial piece?

20 **MR CURRIE:** How many editorial decision-makers?

21 **CHAIR:** Yes.

22 **MR CURRIE:** In The Herald, there'll be the editor of the weekend Herald, her deputy editor, the
23 editor of the daily Herald separately, the leader writer. So we're looking at four to five
24 people across the seven days.

25 **CHAIR:** And for Fairfax?

26 **MR HYWOOD:** Could I just please make a point about -- there's a differentiation in terms of
27 plurality, the issue of whether the media owner shapes the agenda here. There's --

28 **CHAIR:** I'm going to come to another question on that point, if we can just park that for the
29 moment.

30 **MR STEVENS:** Sorry, could I just clarify something. I think you were asking of a digital sense
31 on how stories might be ranked and let's just say we do have a column from the left and a
32 column from the right. It's worth noting, in a digital context, often content on similar
33 subject matters will be lumped together. So you will have, you know, a comment from
34 both sides of the political spectrum, they're not going to be one buried and one together.

1 Often one will link to the other. So within the column from the left you'll point to the
2 column from the right. Within the column from the right, you may point to the column
3 from the left.

4 The only other thing I wanted to just clarify is we are talking about a pretty specific
5 and confined area of what we do, and that's around these comment and opinion pieces.
6 You know, a journalist's view is unlikely to appear in a general news story. A general news
7 story is going to be covered on its facts, it's going to cover both sides of the story and it's
8 going to do that not because of competition but because of the editorial charter that
9 everyone's referred to and the Press Council principles that require that of us and that we all
10 sign up and adhere to. So just a couple of clarifying points on those.

11 **CHAIR:** Can I just ask Fairfax about the spread of your key editorial voices, how many are there?

12 **MS BOUCHER:** I'll ask Joanna Norris to speak to this as our South Island editor-in-chief who
13 can give you the sense of that across our big and small publications.

14 **MS NORRIS:** So an editorial discussion will happen within a masthead. So for instance, my
15 editorial discussion each day with my team will involve usually around five people. That
16 will be a mix of me, my deputy, news directors and a leader writer. Then we'll form an
17 editorial view and that will inform the leader. At the end of the day, I sign the leader off.

18 On the leader page, though, it's notable that we express a range of views. It's not
19 only the leader position, obviously, but we also have op-ed pieces which may or may not be
20 consistent with the line that's taken in the leader. Then we have a team of editors who edit
21 each of our publications who, again, will take a view that maybe or may not be consistent
22 with the view that's taken on another publication.

23 **CHAIR:** Thank you.

24 **MS BOUCHER:** That process is replicated through all of our mastheads. Even some of our
25 community newspapers, the editors there choose to run what you'd call editorial -- short
26 editorials, they're usually very community-based rather than on national affairs, but that's
27 entirely their own affair whether they do that or not.

28 **MR CURRIE:** Could I just please also just clarify, Dr Berry, the four to five people I talked about
29 was the New Zealand Herald specifically. In addition to that, there's five regional daily
30 newspapers, each with their editorial leadership teams who are deciding on the editorial
31 stance.

32 Then in our own newsroom, Newstalk ZB. While the station itself doesn't produce
33 editorials that take the station stance, the individual broadcasters will be broadcasting their
34 opinions on each of the three-hour shows.

1 **CHAIR:** So each of those sources has an independent editorial view that they express; I
2 understand.

3 **MR CREWDSON:** Could I also just explain a little bit more about the way that Stuff operates.
4 Sinead mentioned before that we publish hundreds, 4 to 500 stories per day. We're a
5 24-hour a day, seven-day a week news operation and we have a large number of -- with a
6 newspaper, you might say the newspaper has got one shot each day at deciding what stories
7 should be prominent, what stories are going to put on the front page.

8 Stuff, we make that decision, we change that decision every minute throughout the
9 day. So we have a team of homepage editors and news directors who work in shifts around
10 the day and they will each make different decisions about which stories they're going to
11 make prominent, which stories they're not going to make prominent, and they will change
12 that. It's an always flowing river of content, so they will change that every few minutes and
13 move stories around, and they'll do so independently.

14 So the homepage editor who finishes at 3 pm each day might put a story up at 2.59,
15 next person comes on, changes the mind, moves it around, puts something else in. They do
16 that partly on their editorial instinct about what makes a good story, but also importantly in
17 response to what our audience is telling us about the stories that they're interested in
18 reading, so using traffic measurement tools, and even then, the huge amount of diversity of
19 display that happens on our homepage is only one of the promotional channels that we
20 have.

21 We publish more than 80 stories per day to our main Facebook page, and we have
22 multiple Facebook pages and Fairfax has multiple Facebook pages that are administered by
23 teams that aren't my teams, that are Joanna's team or our Auckland team or our Timaru
24 team. We also have sections of the site which have their own audience separate from the
25 homepage. And Joanna's team is a good example again because the press section, which
26 focuses on Canterbury news, has its own strong inbuilt audience and a different set of
27 people making editorial decisions throughout the day about which stories are going to be
28 prominent.

29 **CHAIR:** Look, can I turn the questions to -- we've got on the phone Rod Oram and Gavin Ellis,
30 and I'm not sure who else in the audience as a journalist other than from the merged entity,
31 but can I just hear from any other interested party that would like to express a view on how
32 they see internal plurality working and whether they may wish to make any comment on
33 any of the statements we've just heard from both Fairfax and NZME.

34 Perhaps if I can start with Rod Oram and then Gavin Ellis.

1 **MR ELLIS:** Yes, I'm here. I'm afraid you're breaking up a little. If I heard you correctly, you're
2 seeking some comment on the submissions that have just been made in terms of the
3 decision-making processes. Is that correct?

4 **CHAIR:** Yes, that's right, Rod. Yes, feel free to comment on any of the issues you've heard
5 about, but it is that dynamic of the internal --

6 **MR ELLIS:** Okay. I wonder if I could just very, very quickly clarify my own position for the
7 benefit of the Commission. Although I'm a former newspaper editor, I really have
8 approached this merger as an academic and not as a retired editor yearning for some sort of
9 bygone age, so I am well aware of the realities and that's why, for example, I've advocated
10 a tax on Google and Facebook and their contemporaries, with the funds going back to the
11 actual producers of news, and that means Fairfax and NZME.

12 I also don't doubt the sincerity of what I've heard today, of today's editors and
13 journalists and their desire to serve the tenets of good journalism. But the point I would
14 make is this is not just about today, it's also about tomorrow. I did also have one comment
15 to make on the need for some constructive compromises by the parties as they go forward
16 today.

17 In particular, I think there need to be guarantees of autonomous internal editorial
18 structures, and I'll talk a little more about that in a moment in relation to decision-making
19 processes, and also independent oversight by a new regulatory body, I think there's a real
20 need for that.

21 Coming back to the matters today, I think it's certainly a reality that autonomous
22 newsrooms, there is a very, very high level of devolved authority, and I think that you've
23 heard that this morning in the decision-making that goes on. No editor is capable of
24 making all of the decisions in a newspaper, for example.

25 So that devolution is very, very real and it's very effective. You have oversight by
26 editors and checks and balances and referral upward where necessary. The concern,
27 though, is where you start changing those structures and moving away from single entities
28 such as a newspaper title to a structure that is much broader and encompasses more than
29 one publication. I use "publication" in a broad sense. It may be a print publication, it may
30 be online and/or broadcasting.

31 So when you aggregate various publications into a single structure, then you alter
32 the dynamics of devolved authority. And the danger is that what you do is that you
33 compress them so that the structure is capable of having decisions made by fewer people
34 but affecting more publications. And that is something that can affect plurality if, for

1 example, you find a decision being made, "Oh well, we'll use this across all of the
2 publications" rather than one.

3 So I think that that's an issue that needs to be taken into account, not necessarily
4 something that happens now, but something that is a very real possibility in the future
5 where further economies of scale are sought and that includes changing to what may be
6 perceived to be a more economic structure.

7 **CHAIR:** Thanks very much for that, Rod. I was going to come through to that point next. Can
8 I ask Gavin Ellis, if we can keep the comments for the moment on the internal -- what
9 we've just heard about the way that the two companies are operating at the moment. We're
10 hearing that there's essentially freedom with different views, having no barriers to coming
11 forward. Do you have any comments to make on that, Gavin Ellis?

12 **MR ELLIS:** Yeah, I think that there is at the moment a considerable independence in terms of
13 gallery staff for example, in terms of the choice of commentators and so on. One needs to
14 see that in the light of the two organisations operating currently independently, and I think
15 that they've got to have similar degrees of autonomy in that regard, although Fairfax's more
16 regionalised structure may have some impact on that.

17 But certainly in areas like political coverage and so on, I think that they have similar
18 levels of independence. The question becomes does that become one stream of
19 independent thinking where currently there are two?

20 **CHAIR:** Thanks, we'll come back to that as well. I understand we've got Steve McCaughan from
21 Star Media on the phone as well. Would you like to express a view on the matter, Steve?

22 **MR McCAUGHAN:** Yes, I would, thanks. Can you hear me okay?

23 **CHAIR:** Yes, you're coming through.

24 **MR McCAUGHAN:** Look, I totally agree with Gavin's sentiments, what Gavin has put forward.
25 What's been interesting is listening to the submissions put forward this morning from the
26 CEOs of Fairfax, NZME and their regional editors and their senior editorial staff. Not one
27 person has put any position forward of how this won't change. They're talking about
28 practices now within their companies. But they're not actually -- no-one has put anything
29 forward as to this will not change in the company of the future.

30 Should they be allowed to merge, will these practices still be sustained? I don't
31 think so. Should they be allowed to merge they're going to be looking for efficiencies and
32 economies. I worked within NZME for 20 years, I know how these companies operate.
33 They operate on syndicated pages. They're always looking to lower their editorial costs.
34 At the moment, we have two companies that effectively compete with each other. Should

1 they be able to merge, there'll be one group editor for that group and they'll be looking for
2 one press gallery team, not two, and I find it hard to believe that Fairfax and NZME would
3 still continue to send two teams to the press gallery if they're a merged company.

4 That's just one example of many that would happen. They currently both use
5 syndicated pages now, whereby they use a page for travel, business or a syndicated
6 columnist amongst their assets. Should they merge, that's likely to go to one syndicated
7 page for travel or business or columnist. So therefore, you know, polarity will be diluted.

8 So no-one has put anything forward this morning except what common practices are
9 right now in their organisations. No-one's talking about how this will change, that we are
10 assured that we will continue to have diversity of opinion going forward. It's all about
11 common practices right now. That worries me.

12 **CHAIR:** I think it's fair to say, Steve, that they've been answering my first question and the
13 questions you're raising I'm certainly coming through, not only on this session on internal
14 plurality, but also on external. So I hear what you are say and we are coming to that.

15 Perhaps if I can move, picking up questions that are coming out of those calls that
16 we've just heard. I was going to explore this question -- we've heard about the fall in
17 advertising revenue and the effect that's having on the organisations, and how is that going
18 to translate into a potential reduction in journalism, how might that impact on the diversity
19 of plurality that we internally see in the organisation today?

20 **MS BOUCHER:** I would be happy to address that. I think the first point I would make which
21 goes to Steve as well is that --

22 **MR McCAUGHAN:** Sorry, can I just make one last point then I'll finish.

23 **CHAIR:** Sure, that's fine.

24 **MR McCAUGHAN:** It's very difficult because it's very difficult to hear you. I guess we've had a
25 lot of talk about -- I hear what you say, but then we see an article in the weekend press
26 "Commerce Commission, you're wrong". And we've got all the senior editorial staff that
27 have collectively got together from both groups, written an article and signed it. My worry
28 is that's a sign of things to come.

29 **CHAIR:** It's not often I get letters in that way.

30 **MS BOUCHER:** It actually is unprecedented that editors would get together to write a letter like
31 that, which is a submission to the Commission. I think it reflects our deep concern that,
32 without the merger, the future of strong New Zealand journalism is at imminent risk. And
33 to answer, I guess, your question but also Steve's point, is sustainability is the biggest
34 protector of plurality in this country, in this market. If we are unable to have a sustainable

1 newsroom backed by sustainable business funded by sustainable revenue streams, then we
2 will definitely lose plurality, diversity of voice and the ability to cover local communities is
3 particularly at risk.

4 **MR HYWOOD:** Can I just add something to that across the group perspective. Our organisation
5 had to address this enormous structural change, and five years ago we made a lot of
6 changes in the organisation. We had a \$1.8 billion cost base and we've taken \$500 million
7 out of that. If you break down that cost reduction, only 8 per cent of that has been
8 journalism, only 8 per cent of that has been in the reporting. There's been an absolute focus
9 to try and protect that.

10 As those revenues still stream out of the business, your ability to protect that
11 reduces all the time. So this whole merger is really about trying to maintain and continue a
12 runway for these businesses to rebuild and develop new revenue streams by continuing to
13 take those back-end, non-reporting costs out of the business so you can sustain the business
14 so that they can develop new revenue streams.

15 And so my concern, and I absolutely understand and respect people's concerns
16 around the devolution of responsibility etc, but my concern is that if we don't go down the
17 path of the merger, those devolution issues become much more difficult to manage and it
18 actually brings it forward.

19 **CHAIR:** Yes, I understand, we heard extensive submission on that yesterday. But, look, if we can
20 just come back to my question and perhaps the gentleman at the microphone is there to
21 answer it.

22 **SPEAKER:** [Shakes head]. It's a very quick technical point. We had Gavin Ellis twice earlier
23 and Rod Oram didn't actually speak because I think they couldn't quite hear you. So, yeah,
24 Rod Oram hasn't answered that earlier point yet.

25 **SOUND OPERATOR:** The comments you may have thought came from the wrong person.

26 **MR ORAM:** Thank you, I appreciate the chance.

27 **CHAIR:** I'm sorry.

28 **MR ORAM:** Very briefly I endorse what Gavin and Steve were saying, because this has been
29 talking about how things work now and not how it might work in a merged entity.

30 The second point is there's been a great deal of emphasis on the plurality of external
31 content, i.e. columnists and the like, and what's been missing is how little discussion there's
32 been about internally generated content in the two media organisations currently. Because I
33 would certainly argue that that's very thin and just the resignation of Key is a very good
34 example of that, where almost all the content seems to be external columnists rather than

1 analysis by -- of say Key's legacy by writers from Fairfax or NZME. And maybe I've just
2 got an navigation problem with the two websites and it's there but I can't find it. I'll leave
3 the rest of my comments to later, thank you.

4 **CHAIR:** Thanks, Rod.

5 **MR CURRIE:** Can I just answer that on behalf of The Herald and NZME? Certainly all of our
6 major columnists have commented on Key, our internal employed columnists, so Audrey
7 Young, Clare Trevett, Fran O'Sullivan today, the editorial across not just the Herald but
8 across the country.

9 **MS WATKINS:** The same with Fairfax, myself (inaudible), I think the editorials in most major
10 newspapers. And columnists including Martin van Beynen in Christchurch and elsewhere
11 have quite a lot of internal columnists.

12 **MR STEVENS:** Sorry, just before the moment's lost, I just wanted to clarify Steve's parting shot
13 there. Although Stuff did cover the editors' open letter to the Commerce Commission, it
14 gave equal weighting that day to a letter from former editors opposing the merger and
15 linked the two within each other.

16 **CHAIR:** As I recall, in the cafe on the morning when I read it one was somewhat larger than the
17 other, but that's print media which I know is dying, so -- can I come back to, we've heard
18 about the decline in advertising revenue and how it's going to have a potential impact and I
19 understand that you've -- we heard yesterday about how the companies have really achieved
20 efficiencies in a back office way to really preserve the frontline journalism that you both
21 do, but can I just put that question that the New York Times hasn't found a solution to this
22 descending advertising curve.

23 Let's assume it continues into the future and you've got this inevitable question of
24 further rationalisation. How is that going to impact on the story even to the pluralism that
25 we've just been talking about this morning?

26 **MR TONG:** Simon here again. I think, Dr Berry, that is the question that occupies our minds
27 every single day is to how do we maintain what we're doing. It's very obvious to us that
28 without the breadth of stories and the quality of journalism in covering the whole country
29 we don't have an audience, and without the audience, we really can't build any meaningful
30 businesses to survive.

31 So really, I may have mentioned it yesterday, I think there's no publisher in the
32 world that we're aware of that has cracked this particular issue in terms of how to recreate
33 their model. If you go searching. You'll find a lot of coverage of different ideas that have
34 been tried.

1 But it's fair to say there isn't a silver bullet. Everybody's facing the same
2 challenges. So what we are doing is looking at how we can create new business models
3 and, you know, our foray into -- as an ISP into fibre as a start-up venture is an example of
4 that. But we don't have that answer today. So the rationale from our perspective behind
5 this proposed merger is the point that Greg made, which is that if we can remove the
6 duplication of the support functions and buildings and all the other costs we have, it will
7 give us more time to find those revenue streams.

8 We have not found them all yet, and so we continue to face this issue of a further
9 cost out requirement in order to keep the organisations viable. And it is a very troubling
10 issue, it really is. We're not alone in New Zealand in facing this. I know that the
11 Australian team are seeing the same thing. So we don't have an answer for you on that
12 today, but if anyone in the room does have the answer, I would welcome it.

13 **MR HYWOOD:** Can I just make a distinction here between two types of media companies and
14 the particular stresses upon Fairfax and NZME. We're publicly listed companies. We don't
15 have the capacity to have deep pockets of private money to cross-subsidise our journalism.
16 Our journalism has to survive within a robust commercial model, otherwise our investors
17 will disinvest and take their money elsewhere.

18 There's many, many examples, you know, of what you call proprietorial models
19 where wealthy individuals or wealthy families are quite prepared, for social influence and
20 economic and political leverage, to own media companies to fulfil those needs. But we
21 have shareholders and our shareholders demand that these publishing businesses stand on
22 their own two feet.

23 That puts us into a critical economic circumstance where unless we can get the
24 runway and the time to be able to build the sort of commercial alternatives that Simon is
25 talking about, there becomes an end game in this that is really quite critical for
26 communities.

27 **CHAIR:** If I can just come back to the line of questioning I was pursuing, it's more the question of
28 is there a point at which you end up having to retreat, such that we end up not having -- we
29 need to have confidence that, going forward, there will be internal plurality of views.

30 You've placed a lot of reliance on it. What I'm trying to explore is that can I be
31 confident that that always is going to stay there, are you going to have to retreat at some
32 point in time for financial reasons that might mean that I, you know, ought to be concerned
33 about loss of internal plurality?

34 **MS BOUCHER:** The areas that are most at risk if we don't merge and able to have that sort of

1 more sustainable core to the business are the regions of New Zealand and small towns
2 where no-one else is going to come in and start up a Marlborough Express or a Nelson Mail
3 once we go out. It's not an Auckland, Christchurch or Wellington. So to my mind and
4 from everything I see before me, the most immediate risk to plurality is that we will have to
5 retrench out of the regions of New Zealand into the main centres and therefore are only able
6 to represent the voices and opinions of people who live in the big centres in this country.

7 So in a post-merge world I expect that we will be able to retain those regional
8 presences all across the country between the two companies as we're doing now, and be
9 able to continue to deliver community journalism no matter what platform or product it
10 might actually end up being on. So, to me, the biggest risk to plurality is without a merger
11 we can no longer sustain journalism outside the main centres in this country.

12 **MR HYWOOD:** Just one thing, I think at the centre of this is, if there's a single entity will
13 journalists still compete for stories and will they still be active in reporting those
14 community issues.

15 **CHAIR:** Yes, I was going to pick up on that. I took it from one of the comments on the phone,
16 that there was a concern about autonomy, I think was the expression. As I understand it,
17 the concern is that the story I'm hearing today from both sides might be a different one
18 post-merger once you actually bring all of the editorial collective of NZME and Fairfax
19 under one umbrella.

20 **MS BOUCHER:** We do have a history, actually, of all of the businesses within Fairfax
21 New Zealand and Fairfax Australia -- which is a big conglomerate company -- started off as
22 small, independently owned companies. So there is a history of a lot of businesses being
23 brought together into a bigger entity and at no point has editorial independence or plurality
24 been threatened through that process.

25 I would argue it actually has enhanced. When you're in a publicly listed company
26 with no single owner dominating a small town, proprietorial publication, it is a greater
27 protection on plurality and editorial independence than the opposite.

28 **CHAIR:** Would you say your organisational framework in the merged entity is going to be very
29 much, as I've just been hearing from Shane and yourself, in terms of, you know, the
30 journalists start coming up with the material and it's going to be filtered through those
31 processes and ultimately find its way through.

32 **MS BOUCHER:** There would be no change in all of those essential ways that reporters operate,
33 that editors operate, that independent decisions are made. I can't see anything at all about
34 the merger that would lead to a change in that at all. It just gives the journalists more

1 breathing room to be able to stop running in the same hamster wheel for the same stories
2 out of the same big centres every day. We can do those, but we also have more resource
3 and time to pursue other entrepreneurial journalism and other issues we're currently not
4 able to cover as well.

5 **CHAIR:** Thank you.

6 **MR CURRIE:** I support that wholeheartedly, Dr Berry. At the moment we have 26 regional
7 daily metropolitan titles within our business, we brought those all together under one
8 editorial structure 12 months ago. There is no way that the managing editor, myself, can
9 even have the time let alone the influence, to influence the journalism or the editorial stance
10 of the editor of the Hawke's Bay Today who recently has been running a big series on the
11 quality of water following the Havelock North case, doing a fantastic job down there and
12 taking a very strong editorial stance with the Council. That is a locally made decision
13 driven by the newsroom at that level, and you know, driven independently.

14 **CHAIR:** Can I ask Robin Foster and staff, there are some other questions I want to move on to
15 and time's starting to get a bit tighter. But if I can just ask Robin Foster for any views he
16 wants to express or questions he may wish to pose.

17 **MR FOSTER:** Yeah, it's been very interesting listening to the discussion this morning, because
18 those of us who worry about media plurality in a general sense do acknowledge the
19 importance of internal plurality as one of the dimensions. And I have to say that some of
20 the things which we've heard this morning are the sorts of things that if I were an external
21 regulator thinking about internal plurality, I would be interested in seeing it put in place.
22 So I think there have been some interesting accounts of how that works at the moment.

23 But, and there is a but here, as regulators think about internal plurality, they do
24 rightly exercise a degree of caution in placing too much reliance on it for the reasons that it
25 can be quite difficult to define. We've heard about a lot of different dimensions of internal
26 plurality this morning from the leader writers to the selection of stories through to the
27 prominence given to stories on front pages in online sites. So that's an issue.

28 There's also an issue about however well-intentioned the organisation is in terms of
29 protecting editorial independence that you might see within an organisation, a sort of group
30 thing can emerge so that the organisation, like it or not, thinks in a certain collective way
31 about things. It may not be imposed on them in any sense but is just the way that
32 organisations behave. There's more chance of avoiding that if you have more entities in the
33 marketplace.

34 But I think the main reservations that regulators would have if they were being

1 asked are about how easy it is for voluntary codes to be changed and ignored should
2 circumstances change and the experience of the different types of owners, the proprietorial
3 owners which were referred to earlier, who may be interested in running news media
4 organisations for very different reasons.

5 So there are some important issues to consider in terms of relying on internal
6 plurality as being, if you like, the lead driver in any media market. Having said that, I've
7 heard lots of interesting and good things from the participants this morning.

8 **CHAIR:** Can I touch very briefly on --

9 **MR ELLIS:** I wonder if I could make a comment in response to that, Gavin Ellis here. If we have
10 the two groups merge we would have, as the Commission's noted itself, and outside China,
11 a unique situation. I think that we need to approach the issue of regulation in the same
12 spirit, that if we are to have a uniquely concentrated section of our media, then I think that
13 we have to think in a pretty innovative way about, okay, what sort of regulation is therefore
14 required in order to ensure that all of the good things about journalism, all of the good
15 things about news media are maintained, and that the position is not misused.

16 **CHAIR:** We have no jurisdiction to go there unfortunately, or fortunately as the case may be.

17 **PROF PICKER:** Could I make one comment. I wanted to go back to what Robin said quickly.

18 I thought the discussion, as Robin said, has been fabulous, really interesting. I guess I want
19 to make three points. One is I think the points that Shane and Sinead made about the
20 history of consolidation and the fact there's been no change on the ground with regard to
21 plurality and independence and the like, I think that's powerful evidence of how deeply
22 rooted those are in those organisations. That's one.

23 Two, I thought the point that was made by the editor of Stuff on the desire to create
24 diversity and range and plurality precisely because that's how you attract an audience, so
25 the incentives associated with that, very powerful as well. So I want to see that.

26 Three, I thought the last point made about the virtues of public ownership versus, as
27 it were, vanity press ownership, so the Washington Post is now owned by Jeff Bezos the
28 Salzburg family has long held the New York Times, so effective control there, Murdoch,
29 I guess now with the Wall Street Journal and others. There's great virtue in terms of
30 insulating the press of not having that kind of vanity ownership and of having public
31 ownership. I thought that point was very powerful as well.

32 **CHAIR:** Can I just pick up on two themes that have come through in a number of the comments.

33 The first one are these voluntary codes and the second one is the ownership issue. We have
34 received some fairly extensive submissions from the parties on their belief and adherence to

1 voluntary codes and I hear what you say on that, but as you know, we can't accept
2 behavioural undertakings but we can take that into account.

3 But if I could just move on to the ownership issue which is perhaps more
4 immediate. We've been told by the merged entity that we can be assured that through the
5 future there will be diversity of shareholding in the merged entity. Just what confidence
6 can we have in that? You know, are there any constitutional safeguards, what is there to
7 give us comfort that at some point in time the merged entity may in fact have owners who
8 could attempt to exert influence?

9 **MS KEENE:** Can I just deal with that point very briefly from a broader legal framework
10 perspective. One key protection that we see that is in place already in the backdrop is the
11 Overseas Investment Office approval process for acquisitions by foreign entities of material
12 assets or shares, and so we would see a large stake in this merged entity being subject,
13 likely subject, to that regime if it were by a foreign person, and of course the Overseas
14 Investment Office has a very wide public interest test and ministerial approval process such
15 that Government ministers can just say, no, if they are concerned by that foreign ownership
16 or influence. So that is a backdrop check.

17 But I'll hand over also to the others to talk about their specific organisations and
18 their make-up.

19 **CHAIR:** But it's what the merged entity's structure is. The question is, in a post-merger world,
20 how can we have confidence that ownership isn't going to become a problem?

21 **MR HYWOOD:** The Fairfax's position is we would become, in the merged entity, a substantial
22 shareholder albeit a minority shareholder. Our view of that is that it structures the business
23 appropriately. We believe in local ownership and local majority ownership of this
24 publishing entity. We think that is the correct way forward.

25 I can't speak for my successors or the board of Fairfax in terms of what it
26 subsequently does with that shareholding but it certainly, I believe, delivers the incentive,
27 the publicly listed structure delivers the incentive for high quality economic performance
28 into the future so that this is a sustainable publishing model.

29 What both organisations -- and certainly Fairfax and I can speak for Fairfax and I
30 can't speak for NZME, but I understand its organisation very well -- is that the focus, our
31 focus as publishers of nearly 200 years, is to maintain reach journalism. That's the sort of
32 journalism that enables it to have the sort of scale that can really test our institutions and
33 deliver what is an incredibly important social good that the fourth estate delivers to
34 communities.

1 That this structure, we believe, gives it the runway to be able to, as Simon said,
2 develop a more robust commercial environment that's currently under threat by the loss of
3 advertising to Google and Facebook.

4 **CHAIR:** In terms of regulatory safeguards, do I take it that you see the foreign investment checks
5 and balances through the Overseas Investment Office the only check and balance in a
6 regulatory sense that we could expect to be followed through?

7 **MS KEENE:** Well, we also have put forward in the cross-submission that was submitted on
8 Monday, the deed poll, but I'm not sure, Dr Berry, if you were intending to get to that point
9 as well. That is a Press Council commitment which in itself would effectively --

10 **CHAIR:** These are voluntary arrangements, are they not?

11 **MS KEENE:** The deed poll would actually make it compulsory and irrevocable to both remain a
12 member, keep a charter and to continue to fund the Press Council, which itself is an
13 independent body. The point is that the charter arrangements then do require owners don't
14 exert influence. That was the point that Greg Hywood picked up on with Gina Rinehart's
15 refusal to sign that charter, and so the Press Council itself is a regulatory framework which
16 protects against owners exerting influence.

17 **MR HYWOOD:** Can I just make the subsequent point that the stronger the economic entity is
18 commercially, the more protected it is from takeover. The issue is that weaker entities are
19 more prone to takeover because they're fundamentally cheaper and you can buy into
20 substantial media assets very cheaply to leverage the sort of social and political influence
21 I'm talking about; so that the larger, more robust organisation is more able to withstand that.

22 **CHAIR:** Thank you. I think it's fair to say that was a late cross-submission, we haven't had a
23 chance to fully analyse that, so I'm not quite sure where to take that. But my understanding
24 will be, Robin Foster may have a view in other jurisdictions, that would a body like us need
25 to be reliant on something that's more entrenched in a regulatory framework than that?

26 **MR FOSTER:** I think the point I was making is that even if you do have a regulatory framework
27 it's actually rather difficult to regulate internal plurality. So setting aside whether the
28 Commission itself can do it or not or whether some other body might be able to do it, it is
29 not an easy task, which is why in the end the preferable approach I think in jurisdictions
30 around the world is as far as possible to try and encourage external plurality, because of the
31 internal plurality risks.

32 Having said that, internal plurality is a dimension to take into account. So there is a
33 dilemma there. Difficult to enforce, but good to have if it's there.

34 **CHAIR:** Okay. We'll study that deed carefully and take that into account.

1 **COMMISSIONER BEGG:** Can I just ask a question, just to clarify. Fairfax will have a
2 40 per cent shareholding in the merged entity?

3 **MR HYWOOD:** Roughly of that order yes.

4 **COMMISSIONER BEGG:** So there's a nice package of shares that I think, you know, if you
5 were to sell them they'd have attached to them a premium for control, it would make a
6 pretty attractive purchase. I think if you were saying that it was all just owned by the
7 public then obviously to aggregate a decent shareholding to get control would be rather a
8 challenge. But when you've got a package of shares like that at 40 per cent, really, what
9 you're saying is we need to trust that Fairfax is going to continue to hold that shareholding,
10 not sell it. If it sold it, then we might have an issue where, you know, the new party coming
11 in would have effective control, if not absolute control. Is that a concern for us?

12 **CHAIR:** What's the likely spread of the remaining shares? You've got Fairfax at a 40 per cent
13 block, what's spread of the shareholding looking like?

14 **MR BOGGS:** Of the 100 per cent of shares in NZME at the moment, if you'd asked me six
15 months ago we were virtually nothing of New Zealand shareholders, that's now moved to
16 10 per cent of the register, and a key focus of us as a business and as a board is to attract
17 further New Zealand investment and so substantially that's investment funds as opposed to
18 retail investors today. So that is the next phase of our development.

19 As Greg mentioned, they would be approximately a 40 per cent shareholder, so the
20 other 60 per cent is spread across funds, the largest shareholders being Australian
21 superannuation funds, at 10 to 12 per cent each.

22 **COMMISSIONER BEGG:** Who will be controlling the board with that, with your 40 per cent
23 shareholding, what sort of numbers of the board are you expecting?

24 **MR BOGGS:** Current proposal is for at least five board members, two appointed by Fairfax.

25 **MS KEENE:** If I could also clarify two points arising from your question. The first in relation to
26 a package of shares being sold by Fairfax. That is specifically the point that the Overseas
27 Investment Office consent requirement would kick in at that point that I made earlier.

28 Secondly, while the parties can't speak to it directly, the fund managers and the
29 investment bankers have certainly advised informally that they see a real interest in
30 New Zealand institutions in this business, but not the business that is NZME today but the
31 merged entity. So we would expect that shareholding to increase, as Michael Boggs
32 indicated.

33 **CHAIR:** Just while we're on the OI regime, what are the legal terms of reference that that body
34 looks at if there was to be consideration of a foreign investment, what are the legal terms of

1 reference that they would turn their minds to?

2 **MS KEENE:** We can provide a follow-up submission giving you more detail on that, but the
3 short point is that the acquisition of any assets or shares to the value of 100 million or
4 whether any sensitive land is involved, and that's quite a low definition including long-term
5 leases, if that's going to be acquired by a foreign entity then the Foreign Investment Office
6 looks at that and it will consider the personality, the characteristics and the attributes of the
7 new owners of the business.

8 You know, they ask for passports, they Google-search the new owners, they ask
9 about the character of people who are going to be leading the business into the future, and
10 then they apply a very wide public interest test, of which economic considerations are only
11 one factor of many, and then move to a recommendation to the Minister involved and then
12 the Minister can either agree or disagree with the recommendation and we have had
13 instances of that disagreement occurring also.

14 **CHAIR:** It's a long time since I've looked at the legal grounds on that. But if it's possible in your
15 submission also to point to any examples where the Overseas Investment Commission has
16 looked at media acquisitions and what factors they took into account, that may also be
17 helpful.

18 **MS KEENE:** Thank you, we will, and also deal with other assets that are of New Zealand
19 significance. So we had the Auckland Airport example, for example, where that was
20 blocked on the basis that it was a New Zealand significant asset.

21 **CHAIR:** Thanks very much. In the 10 minutes or so remaining in this session I'd just like to turn
22 to one other issue. That's a matter raised by Professor Picker about his suggestion that in
23 certain circumstances a monopoly supplier might be incentivised to offer a more diverse
24 range of content than two competitors in competition.

25 I think there has been a divergence of view in the paper by the Oxford experts, they
26 indicate they could see circumstances where that wouldn't prevail. But perhaps if we could
27 start out with Professor Picker and then Robin Foster to respond to your theory about that.

28 **PROF PICKER:** Sure. So I think it shows up in the discussion we've had here the last two days.
29 So the core idea here is, is that, and it seems to me the John Key's resignation is a good
30 example, Shane talked about the number of reporters there who were basically gathering
31 the same story and that there's lots of duplication there, and the ability to limit that and to
32 take those people and have them cover other stories. That's the simple version of that idea.

33 There's discussion in the submissions from a number of the journalists of duplicate
34 coverage in sports and the like. The All Blacks were in Chicago recently, I gather you guys

1 pay a lot of attention to them. Lots of people covering them. I get that. But again, I don't
2 want to call that commodity coverage, I don't want to do that, but necessary coverage, you
3 couldn't run your newspapers without those, but maybe you only you only need one of
4 those. That's really the simple version of the idea.

5 **MR FOSTER:** I can see the argument. I think there are two points I would like to make. One is
6 that one man's duplication is another man's plurality. So I think if you think about certain
7 areas of coverage like political coverage which you refer to, it may actually be a great
8 benefit from the plurality point of view to have that range of people in the press gallery or
9 the columnists writing stories. What people want when there's a big event like Prime
10 Ministerial resignation is to see a very wide range of views and perspectives, it gives them
11 an understanding of the different opinions and different approaches to the story. So I think
12 it's not as clear-cut as suggested.

13 The second part of the argument which I think you were advancing was that because
14 of the two-sided nature of the market that there would be an incentive if there were just one
15 supplier to perhaps even provide a more diverse range of content than if there were two or
16 more competing suppliers. I can see why that might happen, but I also think there are lots
17 of other issues to take into account.

18 In particular, the benefits from having competing companies covering the news in
19 terms of the innovative approaches to stories and to the ways of dealing with each of those
20 types of content, and also there is an issue because of advertiser-funded markets where the
21 best decision for the news provider may not be to provide the best quality content, but the
22 content which is just good enough to attract readers and to keep advertisers on board. That
23 might not be the in-depth coverage or the expensive investigative reporting.

24 I have some experience of looking at this in the broadcasting sector where over the
25 last few years it's been quite clear that free-to-air advertiser-funded broadcasters have
26 pulled out of expensive content into cheaper factual reality content which doesn't bring in
27 quite as many viewers, but is much, much cheaper to make and the loss of advertising
28 revenue is more than offset by the reduction in cost of supplying the content.

29 So it's a slightly more complicated issue I think than perhaps suggested. There are
30 occasions on which Professor Picker's analysis will apply, but there are also many others
31 where I don't think it will.

32 **PROF PICKER:** Two points, if I might. One is, is again, everything I think we've heard from the
33 journalists on the ground is how much variety they create now. And that's an effort to
34 maximise audience I think. So there's an extensive amount of that. I don't think it's

1 specific to the media business, you guys obviously look at tonnes of businesses, there's an
2 enormous amount of internal variety we see in businesses, that's one.

3 Two, is about the expensive content. That's why these people need a business
4 model, they can't do that without that.

5 **MR TONG:** One comment I would make too, and I think Robin's point is fair, and you know,
6 from a Stuff point of view we've copped a lot of flack for -- we talked about the cat videos
7 yesterday, but Sinead provided evidence yesterday of the fact it's actually our news stories
8 that are creating greater audience for us than the Kardashians. So the facts, and you know,
9 we've delivered the facts, the data tells us it's the news stories that delivers the audience.

10 **MR CURRIE:** A further point on that, the New Zealand population of 4.5 million people. John
11 Key was an outlier, the resignation and a major news story, 20 journalists, okay. But at
12 any, say, police press conference now on a run-of-the-mill story in, say, Auckland,
13 Wellington, Christchurch -- I use an example, in my submission, of a case in Auckland two
14 weeks ago, where there were seven or eight reporters from different media organisations
15 covering exactly the same story and angle. It was commodity news to a cross-over
16 audience. My point is that two or three of those journalists would be better off than a
17 merged organisation to be focusing on that planned and unique and exclusive content that
18 does bring in audience and does bring in advertisers and sustains our business.

19 **MS NORRIS:** Further to Shane's point, absolutely right they should be focusing on content
20 beyond following the pack, but they should also be in our local communities covering our
21 councils, covering our courts. That's what's at greatest risk and that's what we're seeking to
22 protect.

23 **DR SMALL:** This theory we've heard about how the merged entity could provide better value and
24 better variety, it just brings to mind to me the trade-off that we see in other markets as well
25 between the duplication of fixed costs on one hand and the benefit of competition on the
26 other. And the obvious example in a New Zealand context was the formation of Fonterra
27 where much the same kinds of things could have been said, and were said in fact, about
28 national champions, reduction of costs, rationalisation, and yet this Commission was not
29 very keen on that concept.

30 **MS KEENE:** If I could make one observation in regard to that -- sorry, I know you're trying to
31 move on. But we see the situation in relation to Fonterra and this proposed merger as very
32 different. I'm involved obviously in both, and the argument in relation to Fonterra was a
33 national champion. The argument here is that print is 13 per cent of how people consume
34 news and there are a number of other organisations doing that, competition is alive and well

1 in the production and dissemination of news.

2 **MS BOUCHER:** I would actually say one of the major forces of competition for journalists is the
3 battle to extract information from organisations that wish to hide it from us. And we're in
4 an era where there are five PR people to every single journalist in the country and that
5 battle is harder every day.

6 So again, back to that sort of duplication of effort on commodity news and the
7 police press conferences are a perfect example of that. When we are freed up from having
8 to basically cover a very generic sort of thing, we are able to put journalists on to covering
9 news that perhaps people don't want us to uncover and particularly to Joanna's point, to
10 hold local authorities to account.

11 It's actually not the press gallery that is really at risk here, it's our coverage of local
12 bodies and Local Government authorities and even in you know the UK at the moment the
13 government has had to step in and offer tax breaks to local papers to keep them in town to
14 be able to cover their Local Government. So the competitive forces against us are the battle
15 every day to get information with a dwindling number of journalists and a growing
16 mountain of spin doctors and PR people who want to keep that from us.

17 **CHAIR:** Thank you. Can I just see if staff have got any questions? No, okay.

18 **MS CSORGO:** I did. That was that we did hear a lot about how your editors have independence
19 and really run with the stories that they want to run with. I just wondered sort of more
20 generally how you make the decisions of the directions of your papers and your
21 publications more broadly in terms of more or less entertainment news, more or less
22 New Zealand political stories, more or less syndicated news versus what you produce
23 internally and how has that actually changed in the last few years, particularly in terms of
24 the New Zealand stories and syndicated news?

25 **MS BOUCHER:** I'll ask Joanna to speak to how a local editor makes a decision. But I just want
26 to talk about syndicated content. News Media have always used syndicated content from
27 day one. There have always been news agencies, Reuters, I used to work for a 150-year old
28 organisation. That's always been part of the mix of what we do, and it's a balance to say
29 how can we use syndicated content, particularly around things like world news to allow our
30 local journalists to focus on local stories.

31 So we make that sort of stance. We prefer to use our resources to cover local news
32 and local communities, and therefore not have a journalist in every newsroom covering the
33 death of David Bowie or the Kardashians or The Bachelor or whatever it may be. That's
34 the kind of stuff we're happy to take as a syndicated feed, it's generic entertainment stuff,

1 the whole world is awash in it, but what we want to focus on is being able to create unique
2 local journalism or New Zealand-specific journalism and use the syndicated content to
3 balance out the areas where it's not important for us to be there to sort of cover.

4 **MS NORRIS:** There are two factors we consider. What is interesting to the public and what is in
5 the public interest, and the two are not necessarily the same but there is significant overlap
6 between the two. But we have more information than we've ever had before in terms of
7 what our audience wants and those -- our audience is very clear with us, the kind of content
8 that they believe that we should be serving up.

9 Every day, we monitor in real-time what our audience tells us they want by how
10 they behave. So they choose the stories they view, and it's very clear what their preferences
11 are. If I can speak to the local market that I work in which is the Canterbury market, our
12 readers are very clear with us that first and foremost they're interested in earthquake stories.
13 That won't come as a surprise to anybody. Stories that involve the way that they live their
14 lives in our local community are important to our readers.

15 It's not the Kardashians, it's not cat videos, it's how they live their lives on our
16 streets, the streets that are impacted by road works, the rebuilding of buildings that have
17 been destroyed by the quakes that we've had over the past six years. Those are the things
18 that are important in our market. We've got so much information about our readers and
19 what they want from us that it's very easy to help our audience guide our decision-making.
20 Does that answer the question?

21 **MS CSORGO:** I'm also interested in the second part of the question as to how that's changed in
22 the past few years in terms of your actual mix of New Zealand stories. Is it absolute and as
23 relative to your overall output.

24 **MS BOUCHER:** Recently, we had some of our newspapers celebrate their 150th birthdays,
25 Marlborough Express, and one of the points that gave us a bit of a laugh was when we went
26 and looked back through old newspapers from over previous decades and saw how much
27 more syndicated content and overseas content was in those papers than are in our papers
28 today. You see a much greater concentration or percentage of local news in there.

29 And again, as Joanna says, that's in response to what people want, but also an
30 acknowledgment that there are multiple places where they can get that other source of
31 news, whether it's business news, world news, national news, celebrity news, cat news,
32 whatever it is, there's hundreds of places that they can go for that. But what we can do for
33 them is provide local news. And back in the '50s for example, or the '60s, of the
34 newspapers we were looking at, the newspaper was the only place they could get all of that

1 stuff, so you saw a higher percentage of syndicated content there in those papers.

2 **MR CURRIE:** If I can answer just on behalf of NZME. It's really important to have a distinction
3 between what New Zealand Herald and Stuff would like today versus within, certainly
4 within the New Zealand Herald site there are sub-sites of each of our regional daily
5 newspapers. So the Bay of Plenty Times at the moment are leading with a story about a
6 new \$43 million head office for Zespri which is very important for that particular region.

7 Each of those five different regional mastheads have a string of stories, digitally as
8 well as obviously in print each morning, and it's been really important for us over the past
9 several years to preserve as many of those frontline regional journalistic roles as possible in
10 order to bring that regional news and maintain that regional news and that's what's at stake
11 here.

12 **CHAIR:** Okay. If we can bring the session to a close, we've run a little over time, so we can have
13 a break now. Can we come back at half past 11. We may push into lunch a little bit, we do
14 have to keep to this timetable more or less today. So having run over a bit, if we come back
15 at half past, then the lunch break may be a little later than the anticipated timetable. So
16 we'll see you back 11.30.

17 **Adjournment from 11.13 am to 11.33 am**

18 **CHAIR:** Okay, shall we make a start for the next session, again on the issue of plurality where we
19 looked at the internal dynamics of the two companies and what may happen post-merger.
20 This is a wider conversation about the full scope of the diversity of views which includes
21 competition as between the merged entity, other forms of media content production and it
22 also will include the method of delivery through distribution and the role that plays in the
23 market these days.

24 I'd like to start with asking a question about the different media types, namely print,
25 TV, radio, online and so on, and what different roles they play from the perspective of
26 consumers, in particular are any one or more of these platforms more or less important in
27 terms of setting the news agenda, and that includes different kinds of news stories.

28 So if I can just start out with that question to Fairfax and NZME, what your
29 perspectives are on where you sit in the media spectrum in terms of the importance of your
30 voice compared with the other forms of media.

31 **MR BOGGS:** Maybe what I can do is ask you, Shane, to just cover off. You now look after news
32 and sport across a number of platforms within our organisation and how we choose when
33 and how and why.

34 **CHAIR:** And perhaps national news might be a good one to focus on.

1 **MR CURRIE:** National news, sure. In the case of NZME in the newsroom in Auckland as it
2 pertains to national news, we obviously operate New Zealand Herald newspaper,
3 NZHerald.co.nz, Radio Sport and Newstalk ZB. I think in terms of a major breaking news
4 story, there is that instant news cycle that kicks into gear straight away and that's driven
5 predominantly by digital and radio in our newsroom. So if it's John Key's resignation,
6 again, within minutes, the story is obviously -- there's a breaking news alert both on
7 NZHerald.co.nz newstalkzb.co.nz, and breaking into our programming on-air on
8 Newstalk ZB.

9 That story or that type of story, it may not be as major as that, but generally
10 speaking if it's a major story it will lead the news agenda for the next -- in the case of John
11 Key, days, but let's take a more mundane story, it might be the next two or three hours
12 where it leads the respective websites, leads the hourly bulletins on Newstalk ZB.

13 What we're doing to try and devolve the story is generate our own angles, our own
14 commentary on that, whether it's internal columnists or columnists we hire externally, of
15 which we have a good stable of people with different voices. But we are trying to get new
16 angles all the time and develop the story and keep it fresh as possible. The role of print has
17 changed quite dramatically over the years, whereas now according to the Fairfax survey,
18 only 13 per cent of New Zealanders are using the newspaper as a primary source of news.
19 So we have to find a different way to treat it for print the next morning.

20 In the case of ourselves, we will look at some enhanced commentary that cannot
21 only be for the newspaper but lead the site the next morning because obviously the digital
22 audience is looking for fresh angles at the same time.

23 **CHAIR:** To what extent do consumers look to entities such as yours for that more in-depth view?

24 You know, I'm just thinking historically you're the ones who have done the more in-depth
25 professional journalism, which I still think is a comment that can be made in respect of the
26 online content.

27 **MR CURRIE:** Sure.

28 **CHAIR:** To me, radio and TV is, you know, you've got the visual on TV and it's a short news
29 piece on the media, likewise with radio. But isn't there something of real quality and
30 differentiation with your media product compared with the others?

31 **MR CURRIE:** Yes, so if I take the Weekend Herald, for instance, we have a set number of people
32 assigned to working on the Weekend Herald and the digital weekend content each week.
33 We have a team of 10 investigative reporters who are not working to that minute to minute,
34 hour to hour, or even day-to-day cycle, they are there focusing on major investigations that

1 take a lot of time and resource.

2 That's not just confined to that particular team. At any one point a reporter in the
3 newsroom, if they've uncovered a great story will spend time and effort, whether it's a day a
4 week or months on uncovering that. In the case of digital, so people have turned to
5 newspapers in the past for in-depth reads, certainly, but they turn to digital for that as well.

6 In our case a big trend for us in the last 12 months and one that we're striving to
7 meet is this demand for in-depth, longer form journalism at night time which is the only
8 time of the day now that people are finding themselves if they've, you know, finally got to
9 the end of the work day, had dinner, sitting on the couch and using the iPad or the laptop as
10 a second screen and we're presenting what we're calling the big read or big reads, it's often
11 more than two or three, at night time where people do want to read a lot more analysis or a
12 news story completely, and investigative story, so it's not just confined to the traditional
13 print cycle.

14 **CHAIR:** Is it fair to say that you, as journalists, have a potentially bigger impact on consumers
15 than radio and television?

16 **MR CURRIE:** No, I think people turn to radio and in the case of Newstalk ZB, for different
17 reasons. So Newstalk ZB, the morning and drive shows are very news-focused, so Mike
18 Hosking and Larry Williams are striving to break stories and interview newsmakers. The
19 mid-morning show from Leighton Smith and the early afternoon show are very talk
20 back-driven, as are the evening show, so people are turning to these three shows for
21 different reasons than the morning and drive shows.

22 That's for commentary that they themselves can present and feedback and that sort
23 of talk back model that we've become accustomed to in New Zealand. In terms of
24 television, there's hundreds of thousands of people at night who are watching the 6 o'clock
25 news on MediaWorks and on TVNZ and that's a wrap of the day's news and obviously the
26 networks are trying to break their own stories on the top of the hour. We monitor in the
27 newsroom very closely on the hour the radio news, the television news and our competing
28 websites, whether it's locally or internationally, to make sure that we're not beaten to the
29 punch.

30 **CHAIR:** I'm just focusing really on the impact on the reader side of the market and, you know, if
31 I look at the 6 o'clock news I'll be sort of told the Prime Minister's resigned and there's
32 speculation over who the successor is. Beyond that, there's not much analysis except for
33 speculation about who it might be, whereas with your journalism we've seen, you know,
34 some 20-odd stories you were telling us about where we've had some much more in-depth

1 analysis as to whether or not the key regime is successful or not and so on. It just seems to
2 me there's a great deal more thought leadership and impact through your form of media
3 than the others.

4 **MR CURRIE:** I'd like to think so, but I do think that television, though, has -- it's not just the 6
5 o'clock news, so One News website now has, as I mentioned yesterday, John Armstrong
6 had a brilliant column on the One News website. On Saturday and Sunday mornings on
7 both TV3 and One News, we have The Nation and Q&A which are talking to the
8 news-makers of the week and it's setting the political agenda, in many respects, for some of
9 the exclusive interviews they're getting.

10 Often NZHerald.co is following up stories from those particular shows, then you've
11 got the Sundays and 60 minutes. So it's not -- TV is absolutely part of the longer form
12 journalism, investigative journalism landscape.

13 **MS BOUCHER:** From Fairfax's point of view I think we have different sets of competitors,
14 I guess, different types of journalism. So the daily national breaking news sorts of things
15 where the priority is to get that out to the audience straight away, often only a sentence or
16 two and just to keep updating it, that is something that Radio New Zealand, TVNZ,
17 Newshub are very active competitors against. And often -- I'm sure it's the same in Shane's
18 newsroom -- we're looking to see, "Oh, Newshub got their news alert out to us before ours
19 has arrived." You see a battle of whose news alert is first to get out with the big news every
20 day.

21 In terms of investigative journalism, we have invested heavily in that area recently
22 and that's work that has no -- it doesn't come daily, it doesn't even come weekly necessarily,
23 but there we're competing very strongly against people, against North & South, Metro, the
24 Listener who have traditionally been in print but are now launched into Note It, the Bauer
25 sort of websites for that high quality, long form journalism.

26 So it's important for us to be in that and we think we do a really good job, but we're
27 looking towards them, towards TVNZ sort of, you know, news shows rather than the 6
28 o'clock news. In terms of I guess news on a daily basis, you know, TVNZ's news probably
29 reaches 700,000-odd people every night so they are a major sort of influence on the public
30 I guess perception of what the news of the day is and the news agenda.

31 Newshub's is about probably about half of that number, half of that number a day.
32 So I don't think you can say that any one company sets the news agenda. I think that there's
33 a sort of rush and that sort of competition during the day to develop the stories that are
34 breaking during the day and to satisfy a growing audience demand for those. In the

1 evenings, people traditionally watching TV news, they're more likely to sit back and watch,
2 we're thinking about products that can go out to meet that desire to lean back and consume
3 things differently.

4 One of the things we've really noticed in -- when I first started as the digital editor
5 for Fairfax, our site traffic was a 9 am to 5 pm weekday affair because that's when everyone
6 was at work and using the boss's broadband. You scroll forward to now and we see I guess
7 with the rise of the smartphone and cheap data, that it's a seven day a week, 6 am to
8 midnight sort of kind of constant affair, and at different parts of that day people are looking
9 for different kinds of experiences and different kinds of content. And in each of those there
10 is a set of competitors that are stronger in one area versus the other and we're always trying
11 to sort of have our content cut through.

12 **MR TONG:** The one comment I would add to that is I think, again, if you look in a static sense
13 that might be the perspective, but where the world is getting to very quickly is mobile and
14 video, and those consumption patterns are -- you cannot argue with those, and they are
15 global. So I think that really if you think forward, mobile and video particularly is where
16 all the activity is, and in that sense there's -- I don't think -- to Sinead's point, it's very
17 difficult for anybody to own that agenda.

18 **CHAIR:** In our Draft Determination we cited the News Works study which gave credence to the
19 view that you're potentially more influential than other sources of news and that's having
20 regard, I assume, to matters such as independence, credibility, dependability and
21 trustworthiness. Are you a media source of greater impact? Do the consumers view you as
22 a safer pair of hands to take the news from than other places?

23 **MS BOUCHER:** I think we know that at least 80 per cent of our readers are also getting their
24 news from TVNZ and Newshub for example. So there is no one single source of news for
25 anybody any more. So everybody is striving to be perceived as the most credible, the most
26 authoritative, obviously, to draw in audience, to draw in advertisers as well. But there's
27 such a cross-over now from consumers in terms of how many different channels and types
28 of products they get their news from.

29 I guess it's the consumers who make that decision about how they feel about the
30 different products they consume.

31 **MR TONG:** The other point on that that I would make is that our own analysis is showing it's a
32 relatively small percentage of people that are using the newspapers particularly as their core
33 source. So if we still had a very high percentage of people where the newspaper was the
34 key source but it's changing very quickly.

1 **CHAIR:** Again, the online is the new place and much of the print has come out of online, so that's
2 the source of it.

3 **MR CURRIE:** I do think we are blessed in a market the size of New Zealand to have so many
4 media companies here and I think all of them are considered trustworthy and credible, all of
5 our major media companies. I think TVNZ's got the most recognised brand overall and that
6 drills down into, you know, its news value is a study that I'd seen recently.

7 So we don't have these kind of renegade media outlets or smaller outfits that you
8 might see in other parts of the world, that tabloid market in the UK, for instance. So I think
9 in terms of the wider market, we're blessed in a lot of cases in New Zealand.

10 **MR HYWOOD:** The history's really just shown the fragmentation or the dissipation of media
11 power over time. If you think back to say the beginning of the 20th century, most people
12 wouldn't know what's happened outside their local neighbourhood or even their street until
13 the newspaper arrived the next morning. That gave proprietors of newspapers an enormous
14 power, an enormous influence in those areas. As each media platform has developed, be it
15 radio and then television, but more particularly the internet, the dissipation of power has
16 been extraordinary.

17 So you can move from a point of, as I said, enormous power 100 years ago to a
18 point where the traditional media has in these respective environments opposed Brexit and
19 lost, opposed Trump and lost, opposed Italian constitutional reform and lost. So, therefore,
20 what that to me indicates is an extraordinary diversity of opinion and extraordinary
21 diversity of sources of news that people are taking into their daily lives. And that's the
22 environment that is dissipating power, but also seriously undermining the commercial
23 model in which we live.

24 **CHAIR:** Could I put a question to Robin Foster. As I see it, the survey from News Works leaves
25 us to have to think about the loss of competition between the two most trusted sources of
26 media. Is that something that we should be concerned about from that point of view and
27 should we be assured of these other forms of media checks and balances?

28 **MR FOSTER:** Yes, I think it is something you should be concerned about. We are undoubtedly
29 going through a transitional period where print is declining in readership, as we've heard,
30 digital news is becoming much more important. So I don't want to go over old ground. But
31 one of the things which print has traditionally been able to do is provide the space for
32 opinions, provide the space for investigative journalism, provide the space for in-depth
33 analysis.

34 A lot of that is written reporting which is not available on some of the other

1 platforms to the same degree. And I think there's a long legacy of the print media having
2 quite a wide influence on both the political and cultural agenda of any particular nation.
3 Politicians certainly take notice of what the newspapers say, so do many other opinion
4 formers. And, certainly, as we heard earlier, there are lots of proprietors who still see
5 traditional media as being ways of influencing governments and protecting their own
6 business interests.

7 So we're moving away from that, but that's still very important. Why that's
8 important is because print brands and the resources which are associated with them put
9 those organisations in a good position when they are making the transition to digital media.
10 And I think all the research shows that in country after country, amongst the top online
11 news brands, the established media, whether it be print or in some cases the public
12 broadcasters, are high up on the list in terms of usage.

13 So print is particularly important, not just because of the influence it has itself, but
14 also because of its role in this transitional period of providing a spring board if you like to
15 the new media world. And I think that even now for some groups of the audience that very
16 physical presence of having a print newspaper in the morning, a form of record if you like,
17 is an important aspect of the media world.

18 So for a number of reasons I think that print in its broadest sense remains important.
19 I think in some ways we're better off replacing the idea of print with a concept of what it
20 was that print newspapers have traditionally done because these new media entities will
21 remain important if they're still doing the same sort of thing, so reaching wide audiences,
22 providing editorial weight and depth, good journalism, detailed reporting at all levels,
23 extensive news gathering resources, strong written journalism, and trusted and well-known
24 brands. If you have that in place to start off with, it puts you in a very good position to
25 carve out a place in this very difficult changing world.

26 **MS BOUCHER:** I would just add to that, that the reality is print is only 13 per cent of our
27 audience. So our ability to influence the news agenda through printed pages has severely
28 diminished over the years. Yes, print was traditionally the place where you could read the
29 long form journalists and pages and pages of beautiful features, but as advertising has left
30 print in truck loads, the number of pages available to us to display those stories has severely
31 diminished as well.

32 You pick up any newspaper now and it's the pinch test often that determines the
33 value of it, how many pages are actually left in this. So we have moved investigative, long
34 form, deep analysis opinion wholly on to the digital platform and we actually invest more

1 time and effort into that now. We can tell those stories, still in text, but also in rich video,
2 rich interactives, all sorts of ways we can allow our audience to sort of interact with it.
3 Then some elements of that are able to go back into those sort of diminished, shrunken
4 print products.

5 So important to us is our ability to sustain that kind of journalism for all those
6 things that you said at the end of your -- we completely agree, they're very important to us,
7 that's what brings us our audience. But the formats and platforms of those are inevitably
8 going to change and they already have.

9 **MR BOGGS:** Just following on from that study. I look at that News Works study and I see it's
10 2013 as a starter. I think, sitting in this room, it would be fair to say the room's moved on a
11 bit which is what is nearly four years ago. Newspapers, as you say, sits there at the highest
12 and we've just heard what sector of the population of people that are looking at that. Online
13 or internet is actually one of the lowest.

14 I think you heard from both parties; you'll be hard pressed to find something in the
15 newspaper that isn't online. So it is the same news, it is the same stories, it's just actually a
16 delivery mechanism which actually should make no difference at the end of the day. We
17 also talked yesterday and earlier today, around video becoming a much, much bigger part
18 of telling the story.

19 And so again if you go to both of our sites, for example, you'll see there's significant
20 video. I went to the One News site this morning for TVNZ, significant stories are written
21 there and every one I went to had video associated with it. That is the future, that is how
22 people want to see the content on their mobile phones, that is how they are interacting
23 today. It's not the 2013 study that says they want it in newspapers and that's where they're
24 getting their credibility, they want the words around it, they want the video, and they want
25 to interact while they're walking down the street.

26 **CHAIR:** Can I just move for a moment to where we see TV heading going forward and that
27 they're facing a lot of the same challenges that you're facing, but my understanding is that,
28 typically, the first breakers of news are you people with online content and there's been a
29 significant decline in linear television which has the same impacts on them as it has on you
30 with advertising, and particularly the evidence, as I understand it, is that the younger
31 audience is switching off television for news. But where is this going to leave the quality
32 and the impact of television news media content compared with what would be the merged
33 entity?

34 **MR BOGGS:** It may well be a question for TVNZ to answer at some point here, which would be

1 interesting. Yes, TV audiences are declining, absolutely. So what are we seeing both a
2 MediaWorks and a TVNZ do, invest in resources to ensure that they can be online and they
3 are breaking the news online first. They are competing, we are all competing, I think as
4 Sinead said earlier today, to be the first up with the news, but importantly, to have the
5 quality then that quickly follows behind.

6 And so again on your phone you will see those news alerts come through, it's never
7 the same one organisation that's at the top, there are many with apps today who are fighting
8 to be the first because they want to interact with that audience, they want to gain that
9 audience, be known to be the first and then follow it up with the more diverse news that can
10 come in the detail. But again, it will always, in the majority of times now, come with some
11 video associated with it.

12 **MS JUDKINS:** I think it's also very clear from the sales documents that TVNZ discussed
13 yesterday which did have a couple of minor errors in it, however, it did indicate how
14 quickly TVNZ has been able to move its audiences to a digital format. So we have a very,
15 very large online audience, as you've pointed out. However, when I compared our video
16 stats with those of TVNZ for that same period, TVNZ had actually exceeded us for those
17 views for that period. So they've managed to grow that audience very rapidly. I think that
18 goes to the point we made yesterday in that in this digital era you can grow those audiences
19 very rapidly and there are ways. Their Facebook views on that site, even though they were
20 not the 17 as portrayed, they were 6 million, were still 50 per cent of all of their views, and
21 that compared to 5 million that we had, even though we spent a lot of time pushing content
22 on Facebook.

23 **CHAIR:** How do you see the comparative impact of their journalism? You have a much larger
24 footprint, a much larger range of staff and over the last week or so, I've been making a
25 point of looking at the online content of all the different entities and it's one thing to say
26 that videos are there, but they're not really particularly, you know -- are they in-depth
27 journalism in the way that I look to your website for that, you know, more informative
28 word. So to me there's a different quality and impact of the journalism. You're trying to do
29 something differently to television.

30 **MS BOUCHER:** I think that comes back to that point that we are in a whole lot of different
31 competitive markets, there's not one set of competitors across the whole range. So more
32 than half of our journalists are in small towns and are covering local news. So that can't be
33 compared to the national news market. So in the national news sort of, you know, frontier
34 we are in a very aggressive competition marketplace with TVNZ, Newshub, RNZ, which

1 does an excellent job on breaking very high quality stories and great investigations.

2 Then in the sort of, I guess, longer form, slower sort of stories investigations we are
3 really up against Bauer with North & South, incredible journalism. Metro, the Listener, so
4 that's a whole group of our journalists are focused on that area.

5 So it's not our whole body of journalists are in the same competition as their smaller
6 body of journalists, where a small part of our journalism is against them in a much more
7 even playing field, and a whole stretch of our resources is in local markets, competing
8 against other smaller local publications which are probably about 60 or 70 at least, that we
9 don't own, independently owned community publications around the country.

10 **MR CREWDSON:** If I could just mention -- this is Patrick Crewdson from Stuff. The one
11 measure of quality you might look to is an external measure like the Canon Media Awards.
12 The Canon Media Awards historically have grown from print roots and the number of
13 entries that go in each year would still -- NZME and Fairfax would probably constitute the
14 majority of entries; RNZ, TVNZ, Newshub, others, they enter now as well.

15 If you look at last year's awards, something like 26 out of 65 categories were won
16 by neither Fairfax nor NZME, they were won by RNZ, the Wireless, The Spin Off, Bauer,
17 TVNZ, and I think it's quite revealing that a third of the awards in a historically print
18 dominated competition where these two companies still submit the majority of the entries,
19 the quality work of other competitors was recognised.

20 **CHAIR:** Thank you. Can I move to a different topic. That's covered off the issue of the different
21 nature of the impact of the various forms of media production of content, but I'd just like to
22 explore the question of what we will see with the loss of competition between NZME and
23 Fairfax and what this merger means in terms of that quite important matter.

24 We've seen a lot of submissions from, you know, journalists expressing different
25 views about the transaction. But there's been a particular theme in some of the opposing
26 views that, you know, there is a real contest between these two entities in terms of the
27 journalistic edge. You know, the pride in getting the first story, being the leader, being
28 acknowledged as somebody who is first to market with the news, the pride of being able to
29 sort of do the in-depth analysis and come up with a very significant piece of work that is
30 respected journalism.

31 What we have to really worry about is, you know, there's a competitive tension
32 there now and we're going to lose it with a merger, so what does that mean. I just wouldn't
33 mind hearing from the journalistic voices who have expressed those views to perhaps come
34 forward, if we can hear from journalists from within the merged entity and others on the

1 telephone or in the room. What are we going to see in terms of the state of journalism with
2 the removal of this competition?

3 **MR CURRIE:** I'll talk on behalf of NZME given there's no other NZME journalists in the room.
4 Certainly, I consider myself as a journalist, that's my profession. The competitive tension
5 between Fairfax and NZME right now is absolutely the same as we approach it with Radio
6 New Zealand, Television New Zealand, MediaWorks, NBR in the business sense, The Spin
7 Off in terms of that feature writing and analysis sense, and any number of start-ups that
8 could be on the horizon and have started up in the last --

9 **CHAIR:** So it matters not that they're your closest competitor, you're saying you look at the whole
10 market?

11 **MR CURRIE:** From an Auckland, Wellington, Christchurch perspective, national perspective,
12 we're absolutely in those same markets competing for the same stories, we're just as gutted
13 if One News gets a break on us, if Fairfax or Radio New Zealand did the same. And I sense
14 the newsrooms in all of those organisations would tell you exactly the same story. Of
15 course, within the regional and local communities there's no cross-over between NZME and
16 Fairfax. So as editor of the Herald when I was editor of the Herald up until recently, we
17 weren't competing against the Waikato Times, even though the two newspapers cross over
18 into each area.

19 The consideration for the New Zealand Herald print newspaper was completely
20 different. Then in those different regions, those local editors are concerned about their own
21 communities and the issues confronting them, not what --

22 **CHAIR:** Perhaps if we can keep the discussion to the national news, the online national news is
23 really where the contest is, as I see it. That's where, you know, you are a shaping the nation
24 on the matters are of major influence, you know, through a very powerful medium.

25 **MS WATKINS:** Could I then talk as someone, you know, I think in the press gallery, you could
26 probably say it's the most competitive environment for New Zealand journalism. And in
27 the press gallery itself -- I was just trying to write a list -- apart from TVNZ, Radio New
28 Zealand, Newshub, NZME, Fairfax; you've got Maori TV, NBR, The Hive, Interest.co,
29 you've got people like Trans-Tasman whose influence is still -- we yearly run their ratings
30 for politician of the year, it's hugely influential, the politicians always look out for that
31 every year. You've got Patrick Smellie who's on news desk. And you were talking about
32 investigative journalism. One of my best investigative journalists, Andrea Vance, was
33 poached by TVNZ for that very reason because she was such a good investigative
34 journalist.

1 And in terms of the people that I'm competing with, it's not NZME; I mean I've got
2 Paddy Gower, he writes commentary online on the Newshub site, that's extremely well
3 read; Corrin Dan writes commentary, Jane Paterson. And you've also then got even Colin
4 James is writing commentary. Those are all people that I feel like we're competing with
5 every day. It's certainly not just the Herald office. And in terms of sort of like being aware
6 of who's beating you to the story, I find out about that through news breaks and I find out
7 about it through Twitter. It's not through me going to a destination site.

8 So it can actually even be someone who's a blogger who might beat us to a story
9 and that does happen, you've seen it where someone like Cameron Slater has broken a few
10 stories. So we're competing with everyone out there and the news gets around very quickly
11 in the press gallery. It certainly, to me, doesn't feel like it's just a two-horse race in the
12 press gallery between me and Shane's journalist, absolutely not.

13 **MS BOUCHER:** I would say journalists are very competitive individuals and will always find a
14 competitive point to set them against. Often that's within their own newsrooms or, you
15 know, a police reporter in Canterbury might match himself against the police reporter in
16 Wellington, that way. But actually it does come back to again their main competitive force
17 is the people who wish to keep information from them.

18 So you are really focused on what you can do to get the story that you need to get,
19 to get the information out that you need to get to, to uncover what you need to uncover,
20 against the people who are trying to keep that back from you.

21 You know, I think that that competitive tension between, say, Fairfax and NZME is
22 very overstated in the digital era. It was much more a consideration in the days when the
23 printed newspaper was your only method of breaking a story and it came out and if you
24 missed it that day, you couldn't get into it until the next day.

25 So it feels like something from a bygone era in terms of being a driver of getting
26 scoops. Nowadays our biggest worry is now are we going to uncover this information from
27 these legions of, you know, spin doctors who are trying to keep it from us. That is a real
28 consideration for just about every big -- every journalist who is coming up against a
29 corporation or a government institution of some point.

30 **CHAIR:** But shouldn't I have more confidence that would happen if you've got both NZME and
31 Fairfax journalists chipping away at it?

32 **MS BOUCHER:** No, I think you would have more confidence that can happen if we are able to
33 stop that replication of the same commodity news and be able to focus our resources of
34 digging deeper into other stories. That's a significant barrier to us at the moment. And I

1 think there are definitely institutions, stories that are just getting very thin coverage, a thin,
2 you know, approach, not being delved into as deeply as they could because we just don't
3 have the resource to do it in the current environment.

4 I think the other thing is if we can't sustain paying for journalists in the first place,
5 we're definitely not going to have, you know, fulfil that public interest role that we have in
6 challenging authority and holding people to account who are in influential positions.

7 **MR STEVENS:** If I could, just on those points. Clearly, I want to endorse the fact that the
8 competition is far more varied than just NZME, and also to support the fact that, you know,
9 one of the drivers is certainly retrieving the information from those -- you know, that army
10 of PR people. But also just to make the point really that the driver for most journalists is to
11 inform the public, not for us, for example, to inform Shane and his team. You know,
12 they're who we're working for, not just to beat the journalists that are up the road.

13 **MS NORRIS:** I just wouldn't mind answering on behalf of the South Island where 1 million New
14 Zealanders live, where the competitive environment is quite different from the perspective
15 that we're looking at with NZME. We do not consider NZME a competitor but we do have
16 a great many competitors who operate right across the island and who we compete with
17 vigorously day to day.

18 We've reflected on some of those. There's a huge number of community
19 newspapers, but also really vigorous and important communities on Facebook who are
20 competing with us who are breaking news every day. And Sinead and others have reflected
21 on the point that there are a great many PR people. Our local councils are now setting up
22 what they call newsrooms, so they are people who are attempting to control information.
23 That is our competitive set and we're seeking to make sure that we provide a professional
24 journalistic lens across that type of content.

25 **CHAIR:** Thank you. I'd like to pass over to ask for independent journalists to express their views
26 on what they see to be the potential loss of competition between these two merger parties.
27 I've actually just lost track, Gavin, who's on the telephone and who may be in the audience
28 I should be addressing it to.

29 **MR McNEILL:** Rod Oram is on the phone.

30 **CHAIR:** I don't know whether you've heard my question, Rod, but if you've had a chance, just to
31 give us your views on what you would see being the loss of competition between Fairfax
32 and NZME, in particular with reference to online national news.

33 **MR ORAM:** Yes, here I am. Thanks for the opportunity to make a few comments. I've always
34 believed very strongly in a very vigorous and competitive journalistic field, and I think that

1 the best stories, the best journalism, comes out of that. I certainly do appreciate the
2 comments that have been flowing in this session about the sort of competition there is
3 around and about now.

4 However, my concern would be about the ability of the merged entity should it go
5 ahead to drive the sort of, in particular, the deep analysis that the long form journalism or
6 the big read, which we call it these days, on a whole bunch of very, very big and important
7 issues in New Zealand. We are very, very skimpy on that kind of journalism in
8 New Zealand and, again, I come back to my essential point, both in my columns in the
9 Sunday Star Times but in my submissions, is that I just don't see anything in the application
10 to the Commerce Commission that gives me any confidence that there will be a business
11 model for this new entity that will drive that sort of journalism.

12 My great fear is that there would be very substantial cost and resource pressures.
13 And one of the places I think it will be most vulnerable will be very much in the regional
14 reporting that Fairfax and NZME say that they hope the merger would help promote. To
15 me, there's a very simple issue here which is that the audiences in those regional -- around
16 the regions are very small and therefore there will be very little revenue from them, and I
17 would imagine that the centre is going to have to subsidise and the revenue from large
18 markets in New Zealand is going to have to subsidise that journalism in the regions with the
19 possible exception of Christchurch.

20 So again my concern is that the business model, the editorial model that turns all
21 this around from an editorial and advertising point of view, is just not laid out in the
22 application.

23 Now, as I said yesterday, it might well be in the full version that the Commerce
24 Commission has, but it's not in the redacted version that the public has had access to. And
25 one final point would be, again, going back to my central argument here is, there would be
26 a way to compete far more vigorously against Facebook and Google, but this requires a
27 very big cultural change, both commercially and journalistically, in the new organisation.
28 What would have to underpin that is some very strong codes on editorial content and on
29 data and privacy. And again, that's completely missing. What the two organisations have
30 at the moment are very difficult to find codes. In fact, you'll find them on the corporate
31 websites not on the news website, and they seem to be very dead documents. There is no
32 example of how those are actively enforced.

33 I know from a newsroom point of view that they are, although I have to say
34 parenthetically here I think it was a serious breach of editorial policy to not contact a

1 newsroom before making public its presentation. I think that would be a very fundamental
2 journalistic thing that one would have done.

3 When you look at how Facebook and Google handle subscribers' profiles in very
4 interactive ways that you can tailor what information about you gets out to the public, you
5 can tailor your privacy settings, you understand the data policies of those organisations
6 much better, and indeed, especially with Google you can tailor advertising and you can
7 limit the extent to which Google tailors advertising to you.

8 So I think that that commitment to, if I can say, of 21st century codes around
9 editorial privacy and data in very interactive ways with subscribers and readers and
10 audiences would have the potential to grow a much deeper relationship and between either
11 these two organisations separately or as merged entities, which would give them half a
12 chance to compete more vigorously both on content and commercially with Facebook and
13 Google and start to solve the problem they have journalistically and in commercial terms
14 too.

15 **CHAIR:** Thanks, Rod. Can I ask Mr Fallow, and the question I'm posing at this stage is what we
16 ought to be concerned about with the removal of competition between what may be
17 perceived as the two closest competitors.

18 **MR FALLOW:** Sure. Thanks for the opportunity to do this. I'm not sure whether I count as an
19 independent voice in that I still write a column for the Herald, but my personal experience
20 is that, in 20 years being one of the Herald's business journalists in Wellington, for most of
21 that period, "most" being say 85 per cent of it, I was one of two business reporters down
22 here and there was also someone in the gallery team who had been a business journalist.

23 So you had three people who were at least a little bit numerate and so on. That has
24 been reduced from three to zero, there's been a similar sort of reduction, it seems to me, on
25 the Fairfax side. So if you're concerned about competition, there have to be journalists to
26 be competing with each other. So if you've got two entities with a broken or failing or a
27 challenged business model merging, the question I would think for the Commission is, does
28 that sort of staunch this haemorrhagic loss of journalists and stabilise it at the current
29 diminished level, or is it simply an opportunity for further job losses?

30 Because when I hear "duplication" and "replication", that sounds to me like code for
31 "synergy" and the opportunity for still more reduction in the number of journalists to
32 compete. That's really all.

33 **CHAIR:** Thank you.

34 **MR TONG:** Perhaps if I could just talk to that point. As the Commission will be aware from our

1 submission and the work that PwC have done, the number of journalist roles identified in
2 the synergies is modest, and effectively it's an Auckland story because there's two
3 Auckland newsrooms. And, really, the majority of the synergies are coming out of roles
4 like mine, and IT and premises and so forth. So I do take Brian's point, but I would say that
5 goes to the heart of the rationale behind the merger.

6 **CHAIR:** Again, we'll be going further into that in the counterfactual section this afternoon. Can
7 I just see if there's any other person in the industry who may have a view they wish to
8 express on the potential loss of competition between Fairfax and NZME.

9 **MR CROWLEY:** Good morning, I'm John Crowley, I'm the Group Editor of Fairfax and I have
10 oversight of a number of verticals, including sport, business, politics and rural. When I say
11 have oversight, I try and keep them humming while they are led by very strong editors.

12 I'm surprised there's been no mention of sport in conversation today because we
13 appreciate it's a very strong part of our content and our work. I recently inherited nine
14 sports desks which operated as nine sports desks. We now have one sports desk and I say
15 this with some trepidation because already I'm starting to talk about merger.

16 However, what I want to illustrate is that because I now have a sports desk, it can be
17 managed and used in the most efficient and effective way. If we appreciate that now the
18 demands across sport and the competition comes from all arms of the media, we have to be
19 much more adept and much more versatile in the manner in which we cover sport. No
20 longer do we go to a rugby test match and tell you that there's a try scored in the 5th
21 minute.

22 We would assign five or six staff to any rugby test and the majority of those staff
23 would be working from an office. They will be providing added value to the coverage of
24 that event along the lines of strong opinion, analysis, statistics to complement the coverage
25 from any ground.

26 Somebody expressed some concern about regional journalism. We've managed to
27 demonstrate a journalist living in Invercargill can feature in the day's strongest sports story
28 and still be in Invercargill. Live blogging is a very important part of sports coverage and
29 we've managed to harness 42 staff from across the country to assist us in the allocation of
30 duties and to give us the horsepower to do our job differently. So a young journalist in
31 Invercargill can benefit from a new way of working.

32 We've discussed, too, one voice. I think in sport, I think we'll all agree, there is
33 never one voice and a very strong part of our coverage is indeed columnists. If I was to sit
34 down and try and tell Mark Reason what to write, I don't think he'd be with us next week.

1 Reason and people like Kevin Norquay and some of the strongest -- Chris Rattue for
2 NZME, they're unbridled, and because they're unbridled they have a massive following.

3 They're disrespectful and because of that, they are the bugbear of the establishments
4 such as the New Zealand Rugby Union, New Zealand Rugby League. So we do wear heat
5 from them all the time.

6 **CHAIR:** The question I'm trying to explore is what would it mean to suddenly lose those two
7 divergent views and voices.

8 **MR CROWLEY:** I think, in sport, we would have to agree that sport, although entertainment, it's
9 the debate and the opinions that fuel readership and following. I think that would be
10 maintained.

11 **CHAIR:** Thanks very much. Can I just see if -- I'm about to move into the territory of Facebook
12 and the different views that we have about content creation versus distribution. Before I do
13 that, can I just check to see whether Robin or the staff have any questions or points they
14 would like to make on that last session?

15 **MR FOSTER:** I've just got a very quick point which I think is a bridge into the section anyway,
16 that is it's been very interesting to hear about the degree of competition between journalists
17 in different organisations. But of course one of the other aspects, key aspects of plurality is
18 from the consumer perspective about reach and impact. Because while it's good to have
19 that extensive competition, what counts in the end is what gets through to the reader or the
20 viewer. I think we'll pick that up again as we go through the next section.

21 **MR BLACKTOP:** I've just got one question if that's all right. It's really I think to the NZME and
22 Fairfax teams. I'm just wondering if you can help me, perhaps a little bit of a tension in
23 what I'm hearing from you. On the one hand the argument has been made that we're
24 currently on this hamster wheel, we keep going around, we can't afford to invest in these
25 other news stories that we want to do.

26 On the other hand, when we hear the discussion of the competitors, it sounds like
27 there's a hell of a lot of people on the hamster wheel. So that just seems to be, I guess I'm
28 interested in how you would sort of make those two things consistent. On the one hand,
29 there's lots of competition going ahead but on the second hand, taking this merger or just
30 taking one of your competitors out means suddenly the business case is there to invest in a
31 whole lot of new and innovative coverage that you can't do at the moment.

32 **MR TONG:** I think the point that Sinead was making, David, was that there's pockets of
33 competition across the different areas. So John was just talking about sport, there's
34 business, there's regional and so forth. And you know, I think the Listener as an example is

1 actually increasing in circulation as a magazine because of the quality of the content that
2 they're putting in. So it's more about the areas where there's opportunity for people to
3 create competition which is great because that means there's not the same concentration of
4 voice. I think it's good for the country.

5 The point also that Sinead was making is the sort of thing that happens, my example
6 is digger hits bridge. So a digger comes off a truck on the Auckland Motorway and
7 everyone, you know, we all go out and have a look at it. That's the sort of Stuff where it's
8 not really necessary to do that in order to take a photo of the digger and the line of traffic.

9 So there's an opportunity to say, well, what else could we do that we aren't able to
10 do today that is holding people to account. Those are the two things. There's the pockets
11 of competition across the various ranges of news and then there's the replication of stuff
12 where there's really only, you know, one piece of news which is that digger has hit the
13 bridge, where we're all going to.

14 There have been conversations with other CEOs of media organisations in
15 New Zealand who we have agreed jointly that it seems silly that we're all going to "digger
16 hits bridge". So does that clarify it?

17 **MR BLACKTOP:** Yeah, I guess so. I guess the point is more, currently you don't have a
18 business case to invest in expanding, I guess, your audience by going and doing these news
19 stories that you have at the moment. That's currently the argument's that's been said?

20 **MR TONG:** We might have a business case, we just don't have any money. So there's absolutely
21 a need for it it's the question of funding it. That's the key issue. So you know, the level of
22 discretionary funding that we have to do that is -- it's a difficult one. I mean, we hired the
23 3D team, Paula Penfold and Toby and Eugene out of MediaWorks. That was a difficult
24 decision to make because they're an expensive unit, but we felt that it was a valuable
25 addition to what we could offer New Zealanders in terms of in-depth journalism. And you
26 know, if you think about the model for Stuff particularly, which is five, 900 stories a day,
27 their model doesn't suit it. But we do feel that it's a worthwhile bet. So that's an example.

28 We would love to do ten more of those if we could, and in fact, in that case the
29 quality of what they produce arguably is so good that it might lead to us working with a
30 broadcaster as another channel for that fantastic content to be put forward. So it's not
31 that -- it's the money to make the investments is the real issue.

32 **MS CSORGO:** Just following up on that, and this may be better suited to the confidential session,
33 but, I mean, out of your combined staff post-merger, what portion do you see being made
34 available to pursue other stories versus the portion that you're actually going to lay off?

1 **MS BOUCHER:** I think we haven't been able to get to the point where we're able to make a plan
2 because we're still two separate companies, so there is no plan for how you would be able
3 to operate. That would be breaching all sorts of rules. But what we would expect is, stories
4 like digger hits bridge is a really significant chunk of what happens every day.

5 You know, so we have to cover it, we can't not cover that stuff, people want to
6 know why they can't get to, you know, pick up their kids from school or whatever it is
7 because of that traffic. Those sorts of stories are a big drain on our resource now. So we
8 would expect to be able to not have to have everyone pile in to do the same basic report and
9 be able to sort of therefore use people in other better ways.

10 I expect it to be quite a profound impact on the way we're able to use our journalists
11 and tell different stories. But we haven't got a quantified number because we haven't made
12 a new editorial plan as a new company.

13 **MS RUSBATCH:** Can I ask that question in a slightly different way, then. At the moment what
14 proportion of your news, say on Stuff for example, do you regard as that sort of commodity
15 news, digger hits bridge versus more the investigative side of things?

16 **MS BOUCHER:** I would also say there is news in the middle of those two things.

17 **MS RUSBATCH:** I'm also thinking where are you drawing the line on those different types of
18 news?

19 **MS BOUCHER:** Maybe in an anecdotal way I would say at some point during every day you
20 could look at Stuff, New Zealand Herald, TVNZ, MediaWorks and out of the top six
21 stories, four of them will be the same. Sometimes all of them, sometimes two, you know,
22 so there is a significant chunk of that, but Patrick might be able to have a view, as the Stuff
23 editor, on what he sees.

24 **MR CREWDSON:** That's a very difficult question to answer. With the volume of stories that we
25 publish, with 400-odd stories a day, something like two-thirds of them would be locally
26 produced content from our team then another third would be from the various other content
27 sources that we use. And that other third would include the other local content sources that
28 we use, like TVNZ and RNZ.

29 Then the second layer that complicates it is there's the question of which stories we
30 cover and which stories we give prominence to. So I would say there's actually a large
31 amount of the content that we publish each day that is exclusive to what our team do,
32 because we're the only ones in Invercargill, we are at only ones in Taranaki, we are the only
33 ones in Timaru. But those aren't necessarily the stories of -- I know we've been focusing on
34 the stories that are of national significance as well. On those, it's really hard to put a

1 percentage on it, but there is a significant number of stories every single day where we're
2 all converged on the same story and where competition doesn't lead to plurality or diversity
3 of views, it leads to us all focusing on the same thing.

4 Does that address the question, if not answering it?

5 **MS RUSBATCH:** Yeah, I understand you probably haven't gone through and looked at the stats.

6 **MS CSORGO:** Right, but in a ballpark sense of that, you said a significant portion, I don't know
7 what that is to you, is that 10 per cent, 50 per cent?

8 **MR CREWDSON:** It wouldn't be 50 per cent. It's a real finger in the air exercise, it would be
9 something like 15 or 20 per cent, I would think, would be stories that would overlap with
10 other media, but a greater percentage of those would be in positions of prominence on Stuff
11 because they tend to be the biggest national stories of the day.

12 **MS BOUCHER:** I think probably we don't have those measurements but looking at the sites is a
13 good indicator of, you know, seeing the same stories covered in the same way by the same,
14 you know --

15 **MR CURRIE:** If I could answer it slightly differently from an NZME point of view. In just
16 looking at the Auckland newsroom which incorporates the Herald and Newstalk ZB and
17 Radio Sport, but the general reporters -- so that's Herald and ZB -- roughly a half would be
18 covering breaking news or angles as they're developing, and maybe a quarter of the team,
19 that investigative unit, are working on the unique kind of content, then there's another
20 quarter who are in the rounds areas, so striving like crazy to produce their own exclusives,
21 but also often being hauled into one or other of those teams.

22 And I guess one of the kind of goals of this entire exercise is to throw more resource
23 into the planned and unique and quality journalism side of it.

24 **MR TONG:** We all have Simon Bridges putting his hand forward for Deputy Prime Minister on
25 our sites right now.

26 **MS BOUCHER:** And we all have the story about the number of Wellington businesses that are
27 closed since the earthquake.

28 **CHAIR:** If I can just move for the remainder of this session to the complex issue about content
29 creation and distribution and where those boundaries meet. It just seems to me a very
30 complicated story that on the one hand at your level of the market you are content creators
31 and you're feeling the crunch of distributors like Facebook and Google, and I think we got
32 to the point yesterday that there was a, you know, clear discussion around the competition
33 for the advertising dollar, no question about that.

34 But I'd like just to focus on the nature of the so-called competition within the reader

1 aspect of the market. We have taken the approach of focusing on content creation and
2 you've made strong submissions to say that we've mischaracterised and misunderstood the
3 nature of competition in this distribution market and the impact it's having within the reader
4 market.

5 I just want to explore that and the questions to begin with will go to NERA,
6 Professor Picker, and then Robin Foster. But perhaps can you explain to us your view as to
7 how the likes of Facebook and Google have an impact on this external plurality. They're
8 not content creators, so how are they having an impact on the plurality debate, because
9 we've been thinking in our Draft Decision more that the plurality debate takes happens at
10 the functional level, where the content creation happens, you know, what
11 New Zealand-specific evidence can you provide that shows the impact of these distribution
12 channels on the consumption of news content by different news producers in New Zealand?

13 So can you just perhaps, Professor Picker, kick off and then if Mr Mellsop would
14 like to also add and then I'll give it to Robin Foster and then open the floor.

15 **PROF PICKER:** I want to answer your question directly. I don't think I have any
16 New Zealand-specific evidence. I think the best case studies are the Google France episode
17 and the Google Spain episode where I think there's actually pretty concrete data making
18 clear how Google and Facebook play an important role in making voices that would
19 otherwise not be available, available and consumed, so that's what we're focusing on here.

20 **CHAIR:** As I read what you've been writing, it's more the application of the small voices, you
21 know, this has become the vehicle for a wider debate because the bloggers and the smaller
22 niche players will get picked up more readily and amplified.

23 **PROF PICKER:** Yeah, you know, again, there was discussion of Brexit and the Trump election.
24 This whole fake news phenomenon that we are, you know, suffering the effects of -- I won't
25 reveal my voting patterns, but okay, I live in a very blue area.

26 The traditional media are powerfully losing market share to those voices. So the
27 figure I mentioned yesterday about the fact that this fake news story about the Pope
28 endorsing Donald Trump getting a million shares on Facebook, while the traditional
29 investigatory story by the New York Times on his taxes -- I get the New York Times every
30 morning, that was a very long story, I didn't read it -- 200,000 shares.

31 So that's the way in which -- so the whole rise of Breitbart and the alt-right in the
32 United States, those are the voices which are getting amplified, and it's that amplification
33 tool that social media brings and that Google brings that I think is so powerful.

34 Again, you asked about New Zealand-specific, I don't, so I want to be careful about

1 that. I think if you look at the Google Spain episode where there was a change in
2 underlying policy, Google News changed what they were doing, and what happened is is
3 that former Google News users dropped 16 per cent going overall to new sites.

4 The big media firms did better because those brands, as it were, are valuable, and
5 what was lost there because of the change to Google News was all these smaller voices. I
6 think you see exactly the same facts on the ground in a change in France.

7 So I think the best evidence we have, I don't think we have a lot of it, but I think the
8 best evidence we have suggests that Google and Facebook are playing a huge role in
9 amplifying what would otherwise be small voices and doing so in a way -- Facebook is
10 facing enormous pressure to deal with this fake news phenomenon because of the results
11 we've seen so far.

12 **CHAIR:** Perhaps I can put a question to you and you'll have a chance to respond and both James
13 and Robin can think about it as well, in that we have to do counterfactual analysis when we
14 think about mergers and it just seems to me that in the current distribution world through
15 Facebook and Google, what is being distributed is the views of all of the New Zealand
16 media producers; NZME, Fairfax and all the others that may get tapped into, plus the
17 amplification for the smaller voices, but the other comparator to that is that exact same
18 level of distribution minus the diversity of voices between the two merged entity parties.

19 So even within this distribution world of Facebook, is there not potentially a
20 reduction in plurality of voices simply through the merger of the two content producers in
21 that upstream market?

22 **PROF PICKER:** Yes, so I think that's a replay of the internal plurality discussion. You know, it's
23 easy for me to say I found them very persuasive, but that's your call ultimately on that. So I
24 think that's what's going on there. I think the more powerful concern is, for me at least, is
25 how you restore the role of curation and legitimacy that these voices have and that's being
26 lost in the current environment.

27 **CHAIR:** Just to follow on from there, that seems to me in one way a reason to think about this
28 distribution market as almost somewhat neutral in this debate about plurality, because you
29 know, we've got the breadth of the Facebook and the Google today, and tomorrow it just
30 becomes a wee bit narrower because you've merged two of the participants.

31 **PROF PICKER:** I just don't think it's neutral on the plurality of voices. I just don't think that's
32 consistent with the fake news phenomenon, and I don't think it's consistent with either the
33 Google Spain or the Google France experiences.

34 **MR MELLOP:** I've been cogitating on this issue about distribution versus production. I think

1 it's -- we have to keep reminding ourselves it's a two-sided market, that's more than a
2 mantra. Because I think we can think about Facebook, NZME, Fairfax, the merged entity,
3 they're all platforms who make revenue from advertising. So in that sense to say one is a
4 content creator, one is a distributor is a slightly I think -- I'm not sure the distinction is
5 there.

6 **CHAIR:** We have a two-sided market where on the one hand we think about advertising and what
7 may happen in that market and then the reader market is the other side of the market. So
8 we're talking here about plurality and diversity of views within the reader market. So
9 you've got two different dynamics that are in play.

10 **MR MELLISOP:** But there are externalities across the platforms which is the key aspect of a
11 two-sided market. So because if you think of them as platforms, the merged entity would
12 have to compete with Facebook for audience, the merged entity has to think about, how do
13 I get an audience? And I think what we've heard this morning is one way to do that is
14 plurality, because that gets more people, more eyeballs. So that's how I think about the
15 situation. Does that make sense?

16 **CHAIR:** What's the change? What happens with this merger in relation to the method of
17 distribution? There's actually a slightly thinner voice that's going to be conveyed by
18 Facebook, is it not?

19 **MR MELLISOP:** I suppose my framework is slightly different, I think. I think the distinction
20 between production and distribution is blurred because in fact these guys are -- they get
21 their revenue from advertisers. So they need to find -- and they're differentiated in how
22 they do it. So the merged entity does news, Facebook does friends and it also does -- it
23 distributes news as well, but they need to compete for that audience using slightly different
24 content. So it's a slightly different framework I think. Does that make sense?

25 **CHAIR:** [Nods].

26 **PROF PICKER:** Just to follow on that quickly, when I read the Draft Determination what
27 I understood you to say I thought -- you'll tell me whether I have it right or wrong -- is if
28 you were simply focusing on the quantified benefits and detriments you would bless this
29 and that the plurality issue was sort of what ultimately drove your conclusion as to why
30 tentatively not to approve this.

31 I thought the mistake on plurality was not to take into account the role of Google
32 and Facebook with regard to distributing content, amplifying those voices and making that
33 available. I'll stop there, I'm sure Robin wants to say something.

34 **MR FOSTER:** Thank you very much. Can I just issue a correction about Brexit, by the way,

1 because I think what happened in the UK was very much a debate which was led and
2 influenced by the traditional media and in fact contrary to what happened in the US, a very
3 high percentage of the traditional media, news media organisations in the UK was in favour
4 of Brexit and that conditioned the debate, and also influenced the way in which the
5 supposedly impartial BBC reported the whole thing, but anyway, that's local difficulty.

6 So there's no one size fits all. Different things are happening in different markets.
7 In answer to your question, Dr Berry, I think the great hope of digital media written about
8 by many people, including myself, was that it would increase plurality of voice in a positive
9 and productive way. And I think we've seen some of that happening with exposure through
10 not just through Facebook but through different aspects of online news and online services
11 to a wider range of views and opinions.

12 But I think if you go back to the objective of plurality, it's not just about numbers of
13 voices, it is about the quality of the concept which is provided and it is about the extent to
14 which all of that news content helps individuals as citizens to understand how the world is
15 developing around them to help them take part in a much more engaged way in the
16 democratic process.

17 And I have to say that quite a lot of what is available through social media and more
18 generally online does rather the opposite of that. We've referred to fake news a number of
19 times during the course of this day and a half. But more generally, many of the voices
20 which are available on the internet are not backed by rigorous reporting standards, they are
21 opinion rather than fact, they may not illuminate issues but they may mislead those who can
22 consume them.

23 So I think it's very -- it's a very mixed bag. Certainly the evidence that we've seen
24 at the -- that's been produced at the Reuters Institute shows that on balance if you use social
25 media you are exposed to more news voices than if you don't use it. But alongside that it
26 does appear also that there is quite a strong so-called echo chamber or filter bubble effect
27 that those voices that you are exposed to more in number are actually much more similar, if
28 you like, in terms of the position they take on any particular issue. So people are accessing
29 a range of perhaps very partisan sites which confirm their own prejudices rather than
30 provide a range of views which help them make their minds up about any particular issue.

31 Facebook makes a big point of not being a curator of news, it doesn't exercise
32 editorial control over what is by and large available and what isn't. And that's a big
33 difference from organisations like the two merging parties here and any other established
34 media organisation which does place a lot of pride and emphasis on that sort of editorial

1 curation, if you like. So I think although at a simple level social media and the internet in
2 general increases the range of news voices available and consumed, it's not obvious to me
3 that it has a net positive effect on plurality.

4 **MS BOUCHER:** Can I just perhaps answer one point to a question you addressed to Mr Picker
5 about, wouldn't the merger somehow reduce the accessibility of news from either party that
6 was sent through Facebook. Ownership wouldn't change that in any way because those
7 stories that are posted to Facebook through our newsrooms are posted by individual
8 newsrooms, not by the owner, and we try and get as much of a variety out there as possible.

9 So it would still be, I would imagine, just as many posts from the New Zealand
10 Herald newsroom as from the Press newsroom as from the Wellington newsroom as from
11 the Stuff newsroom. The merger itself wouldn't have any impact on that sort of aspect in
12 there.

13 The other point I would just say is the creation of stories is one facet of what we do
14 as journalists. Where we're really in competition with Facebook from a reader from point
15 of view is that curation of and editorial experience that we do versus how they do. I would
16 echo a lot of the points that Mr Foster made about their ability to shape news agenda. But
17 if you have someone who is on Facebook for 44, 45 minutes a day and they feel fully
18 satisfied with their news experience and content experience there, that is a real competition
19 for us who are trying to up the 4 minutes a day that we get on our own apps and sites to be
20 able to present a very independent, balanced, humanly edited not algorithmically edited
21 world view for people.

22 **CHAIR:** We've got two speakers here, I'll go with John Small first and then Fairfax after that.

23 **DR SMALL:** Thanks very much. There's a number of threads going on here and I want to
24 respond a little bit to what I've heard from the first three speakers, anyway. So first thing
25 I heard was Google and Facebook are amplifying what we might call fringe views. And
26 you, Dr Berry, suggested that perhaps that's a neutral effect in terms of the merger. In other
27 words, it's going to be there in both the factual and the counterfactual.

28 But if the merger does reduce internal plurality, then those factors are that the
29 Googles and Facebooks do come into play, because then it's not just a reduction in internal
30 plurality in New Zealand, it's also that as far as it's perceived by Facebook users and
31 Google users, that those losses and plurality are losses of reputable sources and therefore
32 they're being replaced by the fringe views. So I think that is potentially an issue.

33 Secondly, I'd say, and I agree with James on this, obviously there's competition for
34 advertising revenue and you know, one of the big issues here is that the traditional model is

1 somewhat broken because of that, Facebook's taken all the money. Where does that lead
2 us?

3 Well, there's been, from what I've heard over the last day and a half, only two
4 solutions. One was kind of somewhat coded by Rod Oram, but what I heard Rod Oram
5 suggesting was a world in which entities like the applicants become more like Facebook.
6 In other words, they learn more about their customers and do more targeted advertising and
7 therefore actually compete in a different way for that advertising revenue. That's what
8 I heard him to be saying.

9 On the other hand what I hear the applicants to be saying is, "Let us merge, we'll do
10 more of the same but we'll be able to reduce costs, and then we'll be able to figure out at
11 some point how we do the competition part". So in other words, "We'll be able to fix the
12 model if you just let us keep using the same model for a little bit longer but in a merged
13 sense".

14 So under the merger it seems to me that -- actually either way under the merger or
15 without the merger -- these parties have obviously got strong cost reduction incentives.
16 That's obvious, because the money's disappearing and so you're going to have to try and cut
17 costs. In a two-sided market, there's some limits -- in a two-sided market under
18 competition, sorry, between the two of you, there's some limits to that because you've got
19 to -- it's what we heard this morning that you've got to keep your readers engaged and put
20 lots of stories out and that makes sense.

21 You've still got a strong incentive, though, under the merger, and with the merger
22 you've now got more ability to cut costs. So that's what I hear the applicants to be saying,
23 and the bit that we're not hearing is how much of that cost is going to be reduction in
24 journalistic input, and what it seems to me is that we've basically been told not much but
25 we don't really know how much but it won't be very much. And I find that -- that's the part
26 I struggle with, to be honest, and it seems to me it's not really addressing the real issue of
27 the business model, and so yeah, that's my take on what I've heard over the last little while.

28 **MR HUTCHINSON:** Robert Hutchinson from Fairfax. I think the thing we all should
29 acknowledge is that external factors are a very, very major part of the changes that are
30 happening, and those external factors are not within the control of the entities or a merged
31 entity. And it kind of gives you an example as to why actually the dynamics of those
32 external factors can contribute to both an increase in diversity and in a sense, therefore,
33 plurality, while at the same time, you know, costs are managed towards things that actually
34 increase that diversity.

1 So I'll give you a couple of examples. So the first example is that three years ago if
2 you posted a story in Facebook there was a chance that 12 per cent of your followers would
3 organically see that post and over the last three years that has been reduced to just under
4 6 per cent. So in other words, each post has had its chance of being, you know, presented
5 to the users halved. I'm not going to speculate as to why Facebook has done that because
6 there's many, many reasons why they've done it. But what we've also discovered over that
7 time is that Facebook has become very good at understanding -- having a quality score and
8 actually Google is the same -- of your content.

9 So Facebook recognises that there is a uniqueness to your content. So if we post
10 something that is unique, and I heard Shane talking about we want 25 per cent of our
11 content to be completely unique. There's an external dynamic driving that decision, that
12 decision is if you post and it's completely unique, the scoring inside these algorithms
13 recognises that, so we're actually being recognised for the quality we're generating.

14 More importantly it then also measures that against the response of the audience, so
15 you're getting twice the dynamic, so here is what we'd call the production side of the
16 business, i.e. we're creating more diverse content, and then the other side, the readers are
17 reacting to that and the algorithm is going this is being shared more often, or people are
18 watching that video for a little bit longer, and as each of those traits get understood -- and
19 I'm picking on Facebook here like all the social media networks use variations of this -- as
20 those traits get understood by the algorithm it begins to propagate it.

21 In fact, the TVNZ example yesterday where they said that Facebook number was
22 because of a viral video. That actually explains the power of that dynamic, it just so
23 happened TVNZ had one video that month but the next day there was another viral video,
24 maybe it was a cat and maybe it was on someone's blog and then the following day it was
25 one of ours, it was our drone footage of the shifts outside Kaikoura, the seabed rising.

26 So if you imagine that Facebook is actually exerting one, that very spiky reaction,
27 while at the same time what we're seeing is a more diverse number of stories, particularly
28 ironically in hard news, or, you know, like actually covering the major news event of
29 New Zealand, the more diversity we put into it the more opportunities both our homepage
30 editors, like -- we get a lot of traffic because we put ten opinions about John Key up.

31 At the same time, Facebook and Google recognise, "Oh, there are ten unique
32 viewpoints here and we will privilege you for doing that". So those underlying
33 mechanisms inside the gatekeepers, if you want to call them of the distribution world, are
34 you know, forces to increase your quality and forces to increase your diversity.

1 **CHAIR:** Thank you.

2 **MS JUDKINS:** Can I make a point regarding plurality in the way that it previously worked in a
3 newspaper environment where as publishers we controlled much more of the whole supply
4 chain and had much more control over the number of voices. Because we absolutely
5 controlled not just the content creation but also the route to market, the printing presses, the
6 newspaper delivery people and we controlled what got into people's homes to a much
7 greater extent.

8 That version of reality simply no longer exists. We no longer control the number of
9 voices, and to Mr Foster's point, that's not necessarily beneficial, with the fake news and the
10 like. But the number of voices out there has increased exponentially. Everyone has an
11 opportunity to have their viewpoint on social media. We see with politicians, John Key's
12 own resignation note was placed on his social media accounts and was amplified
13 exponentially across those far more than some of our own content that we shared.

14 So the number of voices is much, much greater and much more out of our control
15 than it ever was in the past when we simply had a limited number of columnists and what
16 have you who would be in a printed newspaper.

17 **CHAIR:** Can I invite Professor Picker and Mr Mellsop, I see you've been writing notes as people
18 have been speaking there, if you've got any further thoughts you'd like to share with us.

19 **PROF PICKER:** I just take lots of notes. The only thing I'd say really goes to the last point.
20 I actually agree with Robin on the idea that a lot of voices are getting heard and that doesn't
21 create accuracy necessarily. Donald Trump continues to run his Twitter account and seems
22 to find that relaxing at night and the match between what he says and fact is not obvious
23 sometimes. That's because he can in some sense control the media agenda, I'll poke fun at
24 Trump on that, but he's actually, I think, very media savvy, I think he knows exactly what
25 he's doing on that.

26 So I think the problem here is exactly one of how we make sure that meaningful
27 voices are heard and Facebook and Google are contributing to the problem not solving the
28 problem.

29 **MR MELLOP:** I won't add a lot. Just listening to Robert in particular, I think confirms the
30 complexity of the relationship between these different platforms. So in a way Facebook
31 wants content from the media companies, they want Facebook for distribution, there's a
32 quality mechanism that Robert described which I think complements the kind of platform
33 argument I was trying to make, that at the end of the day these guys are all fighting for
34 eyeballs.

1 So it's just another one way that the merged entity will fight for eyeballs is by
2 having a variety of content, I think we've heard that this morning. That's all thanks.

3 **MR TONG:** Just coming back to John's point, it's good to hear him so concerned about our
4 well-being. We talked yesterday and today around the difficulty in finding models that
5 work for journalism and supporting it, so I certainly agree with that. But you know, our
6 attempts locally to, for instance, encourage Television New Zealand content, Radio
7 New Zealand content on our site is an attempt to replicate that and to create model voices
8 and channels for New Zealand content to the market.

9 So, you know that, is fundamental to our purpose and as the Commission knows
10 from our submission, we have identified the numbers within the synergies of the journalist
11 roles and I've spoken already today about the fact that in many regards it's concentrated into
12 Auckland, whereas the majority is back of house.

13 **CHAIR:** I've just got one further question to ask, but while I'm doing that if other Commissioners
14 and staff can think of any follow-up questions at the end of it, my question's fairly brief.

15 We have heard concerns by a number of the major corporates that this merger could
16 be problematic for them because very often they get a bad rap in one of the newspapers and
17 have the chance to talk to the other newspaper and get their story told in a way that's more
18 friendly to them, I guess, is the concern.

19 But you know it just makes me pause to think and it goes back to probably one of
20 my first areas there is that, you know, you are the closest competitors in that sense and seen
21 by a number of the major corporates as being a constraint on each other in that kind of
22 sense. Can I just get your reaction to that?

23 **MR CURRIE:** Can I answer that one? I found that an incredibly surprising remark from any
24 corporate, let alone any individual who's covered by the media. First of all, we're guided by
25 our own principles, our journalistic accuracy, fairness and balance around anything that we
26 cover, so if a corporate has an issue with an article or investigative piece, they would take
27 that up with us directly and if they're not satisfied with our response they've got channels
28 including the Press Council and legal channels.

29 I've not known of a case, unless they're doing it for PR reasons, and that is terrible,
30 where they might go to the other organisation. But then I would expect if it was somebody
31 coming from Fairfax to NZME, that we would be putting that exact same journalistic grill
32 on them.

33 **CHAIR:** The concern might be somewhat short of that complaint territory, in that, you know, you
34 may get stuck into a trader on the basis that they've engaged, in your view, in misleading

1 conduct on consumers and yet, you know, another journalist at your paper might perhaps,
2 on their review of the evidence, take a different view.

3 **MR CURRIE:** Well -- sorry, Sinead.

4 **CHAIR:** That's a matter of opinion and not something that's going to end up in a complaint
5 situation with a finding.

6 **MR CURRIE:** Sure, that could happen within one news room within our existing newsroom. I
7 do know of a case where a real estate agent, through the Real Estate Agent's Authority, has
8 been found guilty of various counts, then tried to come through another journalist to tell a
9 slightly different side of the story and we had to be -- again, we just have to treat it on its
10 journalistic merits, but in all cases treating it with a fair, balanced and accurate viewpoint.

11 **CHAIR:** I guess the point you're making is they can't go to TV or radio and get the same sort of
12 balance because the kind of audience you're hitting with a front page article on the land
13 agent isn't something that's going to be equalised if somebody's got a different view, by a
14 radio report or a TV report. It's not that kind of news that's going to make the 6 o'clock
15 news, is it?

16 **MS JUDKINS:** They have websites to present that information as well, so it's not simply limited
17 to a television show. Newshub and TVNZ both have their own sites, as does Radio
18 New Zealand.

19 **CHAIR:** Fair point.

20 **MS BOUCHER:** I, like Shane, was incredibly surprised and affronted by that comment because
21 what that says to me is that the PR departments of big corporates are worried about their
22 ability to get through their PR message, might become more difficult. That's the reality of
23 what the corporate worry is in the circumstance. Our role is not to be the PR mouthpiece
24 for any organisation at all, and I would suggest if they're worried about that they could
25 invest in advertising in our publication so they could say exactly what they like or use their
26 own channels to get that out.

27 News reports are balanced, fair and accurate. So we have many cases every day
28 where people don't like what we've written about them, but it's the truth, so there you go.
29 And they have many channels of recourse if they think there is an inaccuracy in that, if they
30 think it's biased or whatever, either through the editors or through the Press Council or
31 through the courts if need be.

32 But I am appalled to think that the PR departments of all the large corporates could,
33 you know, thwart something that is in the public interest by being concerned about how to
34 get their PR message through to the public.

1 **CHAIR:** Are there any questions of Commissioners or staff?

2 **MR IRVINE:** Just a quick one. So just two quick points, I'm sure everyone's getting hungry for
3 lunch. One is that talking about the availability of other viewpoints and the availability of
4 other news content producers is one thing; and the availability of people getting that news
5 content out there by different distribution channels such as social media, I accept that.

6 I guess as a Commission, when we look at what evidence is before us in terms of
7 the actual traffic that's going online, we've included some of that data in our report which
8 shows that there is, what you'd have to describe as a pretty large discrepancy between the
9 amount of traffic that goes to NZME and Fairfax's websites. We also have app data which
10 is not public which shows much the same pattern.

11 So in terms of the difference between content being available or different
12 perspectives being available and those actually being consumed, is that something that
13 should be of concern to the Commission in terms of external plurality, or what we're
14 hearing, "it's fine, internal plurality will solve this", the fact that the combined traffic on the
15 websites of the two parties is 15 times greater than the next largest one is not a problem
16 because internal plurality will solve that?

17 **MS JUDKINS:** I think you're looking at the websites as well as opposed to Facebook and the
18 traffic that goes to sites via Facebook. What we've identified is that social media is now the
19 platform where it's very, I suppose, cheap to get your content amplified, you don't need to
20 have, in the olden days, a print press and a distribution, you don't need to have an expensive
21 website, you can actually amplify your content via social.

22 I don't think that's reflected in the statistics which is simply looking at website
23 traffic to our specific sites, as opposed to some of the smaller players who are amplifying
24 their content via social networks.

25 **MR IRVINE:** To the extent that it is your argument, that don't worry if it's heavily weighed in
26 favour of the parties at the moment, that will change in the future, to which we've heard
27 varying responses from the likes of TVNZ and Mediaworks, I guess.

28 **MS KEENE:** I think the more important point is we don't agree with the massive discrepancy put
29 in the Commission's decision and don't think that is a correct reflection of what consumers
30 are receiving on a daily basis. That's most predominantly an issue with measurement and a
31 platform that you're measuring doesn't include mobile, for example, which we've heard is a
32 very important feature of the market. But I think we can provide a detailed response on that
33 point, and you've also heard the substantive response.

34 **MR IRVINE:** Yeah, we would certainly appreciate, particularly in relation to apps, because we

1 do have a lot of mobile app data as well which hasn't been able to be made public.

2 **MS JUDKINS:** To the TVNZ point I think as I mentioned earlier, their Facebook video views
3 over that period of October exceeded our views so it's difficult to see how they're restricted
4 in growing those audiences when you have social media platforms that enable amplification
5 very rapidly. As Robert mentioned earlier it's very easy for content to go viral and for that
6 to therefore increase your shares and your likes and your visibility on Facebook.

7 **MS BOUCHER:** Remember, too, the aggressive growth we've seen in digital audience on
8 platforms like RNZ, Newshub, I think we heard yesterday in a six-month period where we
9 put on 30,000 users, Radio New Zealand put on 180,000 users, Newshub put on over
10 100,000 users. So the moment in time now is not going to be the moment the same picture
11 in six months, a year from now either. It certainly wasn't like that a couple of years ago.

12 **MS RUSBATCH:** Can I ask a follow-up question on that. I think one of the things we've heard
13 this morning is that hard news, for want of a better term, is still important, the parties would
14 actually like to be doing more of it, that's one of their hopes from the merger. One point
15 I just want to clarify though is, to what extent at the moment does Facebook actually help
16 with the creation of that hard news? It might extend the distribution of it, but are the parties
17 saying at all that it actually helps with the creation of it?

18 **MS BOUCHER:** The relationship with Facebook is a complex one, it's not a simplistic one.
19 Facebook is a community, so we always get news from our communities and so the ability
20 to interact with people via Facebook, seek new sources and things like that, is a high value
21 to us in what we do now but it's just because that's where the communities and people in
22 New Zealand are kind of living out their lives in lots of ways.

23 So the relationship with Facebook is not simplistic, it is that original definition of
24 the frenemy, so you know, they take with one huge hand over here, but they give something
25 else in a different way over here.

26 **MR MELLOP:** Katie, it's kind of what I was trying to articulate, that if the merged entity is
27 fighting for eyeballs with Facebook and if it thinks that hard journalism will get more
28 eyeballs, then that's one mechanism to incentivise it to do so.

29 **MR TONG:** A good example would be, not to go back to it again, but the Prime Minister's
30 resignation where he also announced that on his Facebook page, Twitter, etc, etc, so that's
31 hard news being delivered on to Facebook as well as on to, you know, through the
32 traditional channels. So that's a good example where they're leveraging the channels that
33 they can to get to the audience.

34 **MS BOUCHER:** Then today Gareth Morgan's announced the first policies for his new party, and

1 just looking on my own Facebook feed, I can see his announcement of that and what that's
2 all about and what it means and all the rest of it, which has far more comments and
3 interactions than the Stuff news report of that which appears to have reached a much
4 smaller audience. So you know, it's complex dynamic that world now.

5 **COMMISSIONER WELSON:** I just have one question sort of that flows out of that discussion.
6 So on one hand we've heard that Facebook can and does change its algorithms, but on the
7 other hand, also what I'm hearing is that those algorithms will drive quality. So my
8 question really is, how can we -- on one hand we're being asked to say, well, this will
9 provide that quality assurance and diversity, but on the other hand, we're being told there's
10 an ephemeralness almost in its durability. So I'm just interested in how we should be
11 thinking about that or taking that into account?

12 **PROF PICKER:** Are you staring at James or me? I think you're right to say that they have
13 complete control over the algorithm and what Robert said about the change, I mean, they
14 were very public about the fact that they were shifting in favour of friends and family in a
15 way from hard news. I assume that's a 12 to 6 per cent figure. I think what you should
16 assume is that Facebook's going to do what is in Facebook's best interest, and they've
17 shown an enormous ability to do that.

18 While I understand the frenemy point, I think they're more on the enemy side than
19 friend.

20 **MS BOUCHER:** I think we are both incentivised by the performance of high quality news,
21 because we know from every metric that we have that high quality New Zealand news is
22 what is bringing the audience to our site and it's also what Facebook is prioritising for its
23 audiences and, in fact, the onus is on them to do that more. But we are the one who is
24 bearing all the costs of that not them, and they're the ones taking all the revenue associated
25 with that.

26 So we want to produce more of that work, and it's really important to get it out there
27 on whatever channel, but we need that sustainable model to be able to continue to do that.

28 **MR TONG:** The one comment I would make to that, that gets to the heart of the level of
29 disruption that we are seeing. And so every day, every week there are questions, we search
30 the internet to see if any other publishers, talk to them, have established what's going on
31 with the algorithms and how do you use them because that, in essence, is what has driven
32 the disruption.

33 So this a live issue. It's a very, very difficult one and to a large extent outside of our
34 control.

1 **MS JUDKINS:** Just going to Sinead's point about the complexity of the relationship. I was at a
2 news media conference earlier this year where a lot of global publishers were struggling
3 with the concept of Instant Articles. This was a new offering from Facebook, that on the
4 surface looked very appealing, it made our content appear much faster, it appeared in a
5 much more attractive format but it also made that content appear within the Facebook
6 environment rather than taking people back to our own sites.

7 A number of publishers globally were looking at this with the frenemy, is this good
8 or bad? There were a number of speakers at the conference who debated should we be
9 doing this, shouldn't we? A number of publishers have taken a half-hearted approach in
10 terms of "We'll trial it and see what happens". But it's a brave new world which changes
11 every single day and Facebook can change and influence directions very quickly and
12 publishers globally are confronted with how best to deal with it.

13 **CHAIR:** We've run somewhat over time and to keep to the timetable I think we will have to come
14 back at 12.50. So it's a shorter lunch, so we certainly didn't want to cut off conversation
15 around that, so there's no problem there. So, look, we'll see those back after lunch. The
16 remaining sessions are confidential. The first one is a closed session with NZME at 1.50.
17 You've switched the order, have you?

18 **MS KEENE:** Yes.

19 **CHAIR:** So we're coming back with Fairfax after lunch as the first session. Thank you.

20 **Session concludes at 1.17 pm**

21
22
23
24
25
26
27
28
29
30
31
32
33