



Statement of Issues

4 August 2016

Seven West Media – proposed acquisition of *The Sunday Times* and *perthnow.com.au*

Purpose

1. This Statement of Issues aims to:
 - give the Australian Competition and Consumer Commission's (**ACCC's**) preliminary views on competition issues arising from Seven West Media Limited's (**SWM**)¹ proposed acquisition of *The Sunday Times*, and related online news site *perthnow.com.au* (**PerthNow**), from News Limited (**News**) (the **proposed acquisition**)
 - identify areas of further inquiry
 - give all interested parties an opportunity to comment
 - invite interested parties to submit information to assist us in our assessment of the issues.

Overview of ACCC's preliminary views

2. The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.
3. The ACCC divides its preliminary views into three categories: 'issues of concern', 'issues that may raise concerns' and 'issues unlikely to raise concerns'. For this acquisition there are no 'issues of concern', two 'issues that may raise concerns', and two 'issues unlikely to raise concerns'.

¹ References to SWM include references to West Australian Newspapers Limited, a subsidiary of SWM, as context requires.

Issues that may raise concern

- *Provision of news and information to Western Australians:* The ACCC's preliminary view is that the proposed acquisition may be likely to substantially lessen competition in relation to the supply of news and information to readers in Western Australia, by reducing choice and removing the competitive constraint between SWM and News.
- *Western Australian advertising opportunities in print newspapers:* The ACCC's preliminary view is that the proposed acquisition may be likely to substantially lessen competition in relation to the supply of Western Australian advertising opportunities in print newspapers.

Issue unlikely to raise concern

- *Acquisition of content:* The ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in relation to the acquisition of content from third party providers (e.g. newswire services).
- *Western Australian advertising opportunities online:* The ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in relation to online advertising, given the range of other sites advertisers can utilise.

Making a submission

4. The ACCC is seeking submissions from interested parties, particularly in respect of the impact of the proposed acquisition on:
 - competition between print newspapers
 - the quality and diversity of content in print newspapers and online sites, especially news and informative content with a Western Australian focus
 - whether advertising rates would increase for certain types of advertisers, particularly those that use print newspapers.
5. This Statement of Issues sets out further detail on these and other issues, along with specific questions.
6. Interested parties should provide submissions by no later than 5pm on 18 August 2016. Responses may be emailed to mergers@acc.gov.au with the subject: *Submission re: West Australian Newspapers/News - attention Jason Byrne/Mandy Bendelstein*. If you would like to discuss the matter with ACCC officers over the telephone or in person, or have any questions about this Statement of Issues, please contact Mandy Bendelstein on (02) 9230 3890 or Jason Byrne on (02) 6243 1279.
7. The ACCC anticipates making a final decision on 15 September 2016, however, this timeline may change. To keep abreast of possible changes in relation to timing and to find relevant documents, interested parties should visit the Mergers Register on the ACCC's website at www.acc.gov.au/mergersregister.

Confidentiality of submissions

8. The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

About ACCC ‘Statements of Issues’

9. A Statement of Issues published by the ACCC is not a final decision about a proposed acquisition, but provides the ACCC’s preliminary views, drawing attention to particular issues of varying degrees of competition concern, as well as identifying the lines of further inquiry that the ACCC wishes to undertake.
10. A Statement of Issues provides an opportunity for all interested parties (including readers/consumers, competitors, shareholders, advertisers and other stakeholders) to ascertain and consider the primary issues identified by the ACCC. It is also intended to provide SWM and News and other interested parties with the basis for making further submissions should they consider it necessary.

Timeline

Date	Event
27 May 2016	ACCC commenced review of the proposed acquisition
4 August 2016	ACCC publication of Statement of Issues
18 August 2016	Deadline for submissions from interested parties in response to this Statement of Issues
15 September 2016	Anticipated date for ACCC final decision

The parties

Seven West Media

11. SWM is a national media provider, whose assets include the Seven Network, Pacific Magazines and a share in Yahoo!7 and Sky News Australia.
12. In Western Australia, SWM supplies:
 - *The West Australian*, a paid newspaper distributed in Perth and regional Western Australia from Monday to Friday. The newspaper has a large focus on news, especially local news.

- *The Weekend West*, a paid newspaper distributed in Perth and regional Western Australia on Saturday. It generally offers more content and has more readers than the weekday paper. It includes local, national and international news, as well as information on business, sport, weather, entertainment, opinion, television and movies, travel, health and wellbeing, classifieds and public notices.
- *thewest.com.au* (**TheWest**), a free online news site supplying news and information, including news content with a Western Australian emphasis. The site also offers a paid digital replica of *The West Australian* and *The Weekend West* newspapers for subscribers.
- Western Australian community and regional newspapers, free newspapers distributed in metropolitan and regional Western Australia.
- *The Quokka*, a weekly printed classified-advertising publication, sold throughout metropolitan and regional areas of Western Australia. It is supplemented by the online site *quokka.com.au*.
- Regional radio stations in the Spirit and Red FM networks.
- SWM also holds a 49.9 per cent interest in Community Newspaper Group, with News having the remaining 50.1 per cent interest. Community Newspaper Group publishes a number of community newspapers for distribution across Perth and nearby.

News

13. News is wholly-owned by News Corporation and is the publisher of various print media and online sites throughout Australia (or parts of Australia), including *The Australian*, *The Weekend Australian*, *The Herald Sun* and *The Daily Telegraph* newspapers, and online sites *news.com.au* and *realestate.com.au*. News also has a 48.9 per cent interest in *carsguide.com.au* and a 25 per cent interest in *careerone.com.au*.
14. As indicated above, News also has a 50.1 per cent interest in the Community Newspaper Group.
15. In Western Australia, News supplies:
 - *The Sunday Times*, a paid newspaper distributed in Perth and regional Western Australia on Sundays only. The newspaper includes local, national and international news, as well as information on business, sport, weather, entertainment, opinion, television, travel, health and wellbeing current affairs, motor vehicles, property and real estate.
 - *PerthNow*, a free online news site supplying news and information, including news content with a Western Australian emphasis. The site also offers a paid digital replica of *The Sunday Times* for subscribers.

Other industry participants

Fairfax

16. Fairfax Media Limited (**Fairfax**) is a newspaper publishing group which operates in both Australia and New Zealand with an integrated metropolitan, rural, regional, print and online presence.
17. Fairfax mastheads include *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review*, *BRW* and *The Sun-Herald*.
18. In Western Australia, Fairfax publishes *WAtoday.com.au* (**WAtoday**), an online only news site established in 2008. *WAtoday* publishes national and international content, as well as content specific to Western Australia.

Changes in media markets

19. Section 50 of the *Competition and Consumer Act 2010* prohibits mergers or acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market. Consistent with the forward looking nature of section 50, the ACCC is considering the dynamic characteristics of the relevant markets and the potential for change in the foreseeable future.
20. The supply of news and information to consumers, and the supply of advertising opportunities to advertisers, have been subject to significant change over the last decade. This is reflected in the changing ways in which consumers access news and information, and the media platforms used by advertisers to target potential customers. Traditional media models in the form of print newspapers are facing increasing challenges from other platforms. Many established incumbents have responded by creating their own online news sites that allow content to be accessed via desktop, tablets and mobile devices.
21. The newspaper publishing industry in Australia is forecast to generate revenue of about \$3.8 billion in 2015-2016, a decline of 5.7 per cent from 2014-2015. Industry revenue is expected to fall at an annualised 8.4 per cent over the five years from 2015-16.²
22. In contrast to the print media industry, digital media has been growing, with many consumers switching their news consumption from print to digital media, or supplementing their print news consumption with digital news. Digital media includes online news sites (including digital editions of newspapers), social media and video/streaming services. Unlike online news sites, social media tends to aggregate and present news and information to consumers, as opposed to producing or generating such content.
23. TV and radio news consumption has either largely remained static or slightly declined, although not at the same rate as newspapers. TV and radio news have also been impacted by changes in technology and have adapted their broadcasting models in response to these changes. Most of the major TV

² *Newspaper Publishing in Australia June 2016, IBISWorld, page 4.*

stations and the 24 hour news channels, such as ABC News and Sky News, have associated websites where consumers can view or read their broadcast news stories. Many radio services can now be streamed online or listened to via an app.

24. Where markets are growing rapidly, this may facilitate new entry or expansion and erode the market shares of established incumbents. However, the ongoing financial viability of new online providers is dependent on their ability to monetise their content. The strong market position enjoyed by incumbent suppliers of national news (SWM, Fairfax, Nine, Ten and News) by virtue of their broader media interests may therefore be unlikely to change in the near future.

Future with and without the acquisition

25. In assessing a proposed acquisition pursuant to section 50 of the Act, the ACCC considers the effects of the acquisition by comparing the likely future competitive environment post-acquisition if the acquisition proceeds (the “with” position) to the likely future competitive environment if the acquisition does not proceed (the “without” position) to determine whether the proposed acquisition is likely to substantially lessen competition in any relevant market.
26. The ACCC has not come to a concluded view on the likely future *without* the proposed acquisition but, in the context of falling demand for print newspapers and the shift to online, is considering the likelihood of:
- the status quo continuing, with SWM and News remaining as independent competitors in Western Australia
 - an alternative purchaser acquiring the News assets
 - the business being restructured, or
 - the closure of any assets, including print assets, as the market dynamics change.

The ACCC invites comments from industry participants on what is likely to occur in the future *without* the proposed acquisition.

Market definition

27. Media markets can be characterised by their interdependent two-sided nature. Suppliers of media platforms acquire or develop content to attract consumers, which in turn attracts advertisers. Each of SWM and News supply print newspapers and online news sites that supply news and information to readers, and advertising opportunities to advertisers who wish to reach those readers.
28. Because digital and print news platforms are two-sided in nature, it is necessary to consider the inter-related nature of demand. For example, an increase in demand by readers on a particular platform will be likely to lead to an increase in demand from advertisers for advertising on the other side of the same platform.

From a reader/consumer perspective

29. SWM and News supply news and information to readers/consumers in Western Australia by way of various platforms, with both having print newspaper and online assets, and SWM also having significant television and radio interests.
30. The ACCC's preliminary view is that the principal area of competitive concern from a reader/consumer perspective relates to the supply of news and information to readers/consumers in Western Australia. Such readers are likely to have a preference for news and information with a focus on Western Australian content. A content provider with journalists that are largely dedicated to producing Western Australian news stories will have a considerable advantage in attracting Western Australian readers.
31. The ACCC recognises that SWM and News publications in Western Australia contain news content that is national and international in focus. For this content, there are alternative sources of supply for readers (e.g. *The Australian* is printed and available in Western Australia; and readers can access news content from a variety of online sources, including national and international content providers). However, the distinguishing feature of *The Sunday Times* and *PerthNow* (as well as SWM's Western Australian publications) is the extent of their focus on Western Australian news content. Market inquiries have consistently indicated that this is highly valued by Western Australian consumers.
32. This means that News' national paper, *The Australian*, and Fairfax's *The Australian Financial Review*, are unlikely to be close competitors to *The Sunday Times* and SWM's print publications in Western Australia. Similarly, online news sites that do not focus their content on Western Australian stories are unlikely to be close competitors for those consumers wishing to access Western Australian focused content.
33. The ACCC has not reached a concluded position on which other media (i.e. daily newspapers, online, community newspapers, TV, radio) are in the market from a reader/consumer perspective. Substitution is a matter of degree and each reader may consider different platforms to be substitutable for different types of news and information at different times. Issues around the degree of constraint that online and other platforms have on print newspapers are discussed in the competition issues section below.

From an advertiser perspective

34. There are a variety of platforms available to advertisers. The choice of advertising platform will be influenced by the product, the group of potential customers that advertisers are seeking to target, and whether or not the advertisement is time sensitive.³
35. The ACCC's preliminary view is that the geographic dimension of the relevant advertising market(s) will be state-wide. The major newspapers of the parties in Western Australia are distributed state-wide to reach consumers, and the online

³ For example, a "grand opening sale tomorrow" advert could not be effectively placed in a magazine distributed monthly.

sites are targeted at a state-wide audience. They therefore provide state-wide advertising opportunities to advertisers.

36. Given the proposed acquisition reduces the number of newspaper providers in Western Australia, a key issue for the ACCC is whether or not advertising via other platforms is a substitute for print newspapers.
37. Some advertisers have submitted that advertising on online news sites is not a sufficiently close substitute for print newspapers, especially to reach certain target audiences, and should not be considered in the same market.
38. Market inquiries with advertisers have also suggested that advertising via other platforms, such as TV, radio, magazines, community newspapers, billboards and pamphlet drops, is not generally a substitute for newspapers. Market inquiries indicated that, for certain types of advertisements, these other methods of advertising do not reach the same target audience nearly as effectively (per dollar spent on the advertisement) as *The Sunday Times*, *The West Australian* and *The Weekend West*. In particular, a number of advertisers have indicated that television advertising is a much more costly option relative to the expected financial returns.
39. The ACCC's preliminary view therefore is that there is likely to be a separate market for advertising in print newspapers. While other platforms (such as radio, television, online) are clearly the preferred option for many advertisers, these platforms are not a substitute for print newspapers for those advertisers attempting to reach certain target audiences.

The ACCC invites comments from market participants on its preliminary views about the relevant markets. In particular, market participants may wish to comment on:

- Whether readers/consumers in Western Australia consider nationally-focused sources of news to be a substitute for news and information that has a Western Australian focus.
- The extent to which Western Australian readers/consumers would switch to obtaining more news and information online or via other media platform such as TV, radio or social media if the price of print newspapers were to rise by 5 to 10 per cent, or if the quality of content is reduced.
- Whether advertisers would advertise online or on other media platform such as TV, radio, magazines or social media instead of advertising in print newspapers in response to a price increase in newspaper print advertising of 5 to 10 per cent.

Issue that may raise concern – reduction in competition in supply of news and information to readers/consumers in Western Australia

40. Based upon its inquiries to date, the ACCC's preliminary view is that the proposed acquisition may be likely to substantially lessen competition in relation to the supply of news and information to readers/consumers in Western Australia. The proposed acquisition:

- may reduce choice for readers, in terms of editorial content and perspective on news stories
 - may increase newspaper prices to consumers or encourage the introduction of a digital paywall for online news
 - may lead to a reduction in the quality of content contained in the newspapers and/or online
 - may lead to a reduction in the total offering (for instance, one of the two weekend papers being discontinued).
41. The ACCC considers that SWM and News are likely to be each other's closest competitors. They are the only companies that supply print newspapers across Western Australia, which include news (Western Australian news, national and international news), opinion, business, travel, technology, entertainment, lifestyle and other content that is designed to meet the needs of a range of consumers in Western Australia. They also compete with respect to newspaper inserted magazines/supplements and lift outs.
42. The SWM newspapers and *The Sunday Times* provide a differentiated product offering to readers, with each paper having different journalists, sources and opinions on Western Australian issues.
43. In addition, SWM and News compete head-to-head with each other in producing breaking and leading news content online to attract readers, especially Western Australian news.

Competition between the print newspapers

44. The SWM newspapers and *The Sunday Times* newspapers are published on different days, which affects the nature of the competition between them. For customers that place a very high value on up-to-date daily news in a newspaper, the papers may be more complements than substitutes, as buying a newspaper on a day other than the day it is published is not a viable option.
45. On the other hand, there are likely to be readers who consider the SWM newspapers and *The Sunday Times* to be substitutes. Market inquiries have indicated that some readers highly value a weekend newspaper covering a range of news, lifestyle, arts, business, sport and other content, and will choose whichever of the weekend newspapers is available having regard to quality and price, regardless of whether it is published on Saturday or Sunday.
46. As was discussed earlier in the market definition section, the ACCC is also seeking to assess the competitive constraint provided by alternative online news sites, and other sources of news such as TV and radio.
47. The degree of competitive constraint will depend on the nature of the content, for example:
- for lifestyle/travel type information and the types of stories in weekend newspaper inserts, magazines, online and some television shows may be a significant competitive constraint for some readers

- for up-to-date daily news, television, online and radio may be a significant constraint for many readers (noting that SWM owns both television and radio assets in Western Australia)
 - for local or regional news, free community newspapers may be a significant constraint, depending on the frequency of publication.
48. A critical issue for the ACCC is the extent to which the existing competitive tension between the SWM newspapers and *The Sunday Times* is an important factor in maintaining quality and diversity of content and competitive prices, and whether or not these publications are each other's closest competitors. Even where other sources of supply, such as alternative online news providers, radio and television, provide some level of competitive constraint for some types of content, they may not be able to offer the same level of competitive constraint as the print newspapers provide to each other.
49. As was noted earlier, print newspapers are in decline and digital platforms are growing. The ACCC has received consistent market feedback regarding the decline in usage of newspapers and the parallel increase in usage of digital media, including by way of *PerthNow* (News' site) and *TheWest* (SWM's main site). Convergence and advancements in technology (particularly mobile/tablet devices) have led to an increase in consumers seeking to access news and information over the internet.
50. However, despite a general industry trend of declining circulation and readership of newspapers, there appear to still be a group of consumers that do not consider other sources of news and information to be substitutes for print newspapers. The size of this group of readers is declining, but the proposed acquisition clearly has the potential to adversely affect them. The ACCC considers these readers potentially vulnerable to price increases and reductions in quality.
51. A range of reasons have been expressed to the ACCC as to why some readers still have a strong preference for newspapers. For example, some readers enjoy reading newspapers at a particular time and place. This may be in addition to using other news media platforms (e.g. online, radio or TV) at different times. Print newspapers also allow readers to access news and information without needing an internet connection and without pop-up ads interrupting the reader's experience. Market inquiries and readership data have suggested that such readers are generally in the older demographics.
52. An issue the ACCC has considered is the extent to which print newspapers can "price discriminate" against those readers who do not consider other sources of news and information to be substitutes for print newspapers, for example, by charging those readers more than they charge readers that are more prone to switching to alternative platforms. The options for price discrimination in relation to print newspapers appear limited. While there may be some limited potential to price discriminate (for example, free newspapers can be given to students), overt price discrimination is unlikely. If price discrimination is difficult, then the increase in price to readers (or reduction in quality of content) that is likely to result from a merger of two print newspapers is likely to be smaller.
53. In terms of other media platforms, the ACCC's preliminary view is that there are likely to be many newspaper readers for whom television and radio are typically

not an option for most of the news and information they are seeking, and therefore, television and radio news will provide only a limited constraint. The ACCC's inquiries have indicated that if the quality of the newspapers or online news site is reduced after the acquisition (or cover/subscription prices are increased), many readers would not switch to radio or television.

Online news sites

54. The SWM site, *TheWest*, and the News' site, *PerthNow*, are in close competition with each other, and are likely each other's closest competitive constraint. The ACCC is concerned that the loss of competition between the parties may lead to a reduction in the quality of the online news sites and/or the introduction of a digital paywall.
55. The ACCC is further considering the extent to which other online news sites in Western Australia, such as *WAtoday* (owned by Fairfax), would competitively constrain SWM post-acquisition. Some consumers have indicated that they prefer to use *PerthNow* or *TheWest* as their primary source of Western Australian focused news and information as opposed to *WAtoday*. However, *WAtoday* is achieving "unique audience visits" that are not far behind *PerthNow* or *TheWest*.
56. The competition between online sites is closely linked to print newspaper competition, given suppliers of print platforms also supply online news and there are significant synergies in terms of utilising journalists for both the print and online platforms. However, some sites are online only with no associated hardcopy newspaper, such as *ABC Online* and *WAtoday*.
57. Some consumers are increasingly using search engines such as Google News and social media sites such as Facebook as a means of accessing information, distinct from online news sites that have a particular focus on producing and supplying news. However, market inquiries have indicated that many social media and similar sites tend to only be aggregators of news content, rather than generators of news (especially in producing and supplying local news). The ACCC is considering whether these providers constrain online news sites that generate Western Australian focused content.
58. The ACCC's preliminary view is that barriers to establishing an online news site are lower than for print. Establishing an online site does not require the cost of printing presses and related facilities. Fairfax's site, *WAtoday*, is an example of new entry. However some industry participants have pointed to significant difficulties in being able to monetise online news sites in order to generate a profit.
59. Market inquiries have suggested that some traditional media participants, even with the benefit of a long established incumbency and the ability to leverage their existing media businesses, have faced challenges in expanding into digital news and operating it as a profitable business model.
60. In addition, a potential new entrant may not have the advantage of being able to leverage off an existing multi-platform media business and shared resources, including branding, journalists and a network of local, national and international content.

61. The established incumbency of major media players may act as a deterrent for potential new entrants. In this regard, the ACCC is considering the extent to which SWM's incumbency, including its significant network of media interests in Western Australia and nationally, and the proposed acquisition itself, may affect barriers to entry for any prospective online news entrant.

The ACCC invites comments from market participants on the following:

- The impact of having SWM as the publisher of *The Sunday Times* and the owner of *PerthNow* and *TheWest* on reader choice and diversity.
- The extent to which readers consider *The Sunday Times* is a substitute for the SWM newspapers published on other days of the week.
- The extent to which, for weekend papers in particular, readers value up-to-date daily news/sport in their newspaper, or whether readers value less time-sensitive content (i.e. lifestyle, articles about longer-term issues).
- The extent to which online news sites are a substitute for print newspapers and whether there are certain readers for which online will not be a substitute (and the size of this readership).
- The extent to which television and radio are substitutes for newspapers and online news sites.
- The degree to which *WAtoday* and *ABC Online* are substitutes to *PerthNow* or *TheWest* for news and information focused on Western Australia.
- Barriers to entry/expansion for new online news sites focused on Western Australia, and the likelihood of new sites monetising their operations and providing a competitive constraint on *PerthNow* and *TheWest*.
- Whether *PerthNow* and *TheWest* are particularly strong competitors, in terms of quality, breaking new stories etc.

Issue that may raise concern – reduction in competition in newspaper print advertising

62. The ACCC's preliminary view is that the proposed acquisition may be likely to substantially lessen competition in relation to the supply of Western Australian advertising opportunities in print newspapers.
63. Market inquiries have suggested that there is close competition between SWM and News in offering advertising opportunities in print newspapers in Western Australia. Some advertisers point to competitive pressure between SWM and News as enabling them to secure better advertising deals than would be the case post-acquisition. They have also indicated that there is no other media supplier that offers comparable, effective and value for money access to Western Australian consumers as the SWM newspapers and *The Sunday Times*.
64. The ACCC is also considering whether there is particularly close competition between *weekend* print newspapers. Weekday newspapers appear to pose less

of a constraint than the competition that exists between *The Sunday Times* and *The Weekend West* in seeking to attract readers and advertisers.

65. Advertising in weekend newspapers is more attractive for some advertisers because of the larger audience, which is reflected in higher rates for advertising. A number of interested parties have also indicated that readers have less free time to read weekday newspapers as compared to weekend newspapers, which results in less exposure for advertisers to potential customers.
66. Market inquiries have suggested that print newspapers are a particularly effective for advertising to older demographics and consumers that value print newspapers. The advertisers have also said that online is not very effective for targeting such customers. Other forms of advertising, such as magazines or local newspapers, may be effective for some of these advertisers, but not all. For example, if the advertisement is time sensitive (i.e. an advertisement about a “Saturday only sale”) Saturday newspapers may be the only appropriate print advertising option.
67. The ability to price discriminate is also relevant to advertising. Newspapers can price discriminate relatively easily between advertisers. For example, if there is only one newspaper, and the newspaper knows that a certain advertiser’s only method of effective advertising is in newspapers, the newspaper can charge that advertiser a higher price.
68. While it is unlikely the ACCC would consider there to be a separate market just for advertising aimed at older demographics in print newspapers, the impact on advertising to this demographic is a particular area of competition concern which the ACCC is further considering.

The ACCC invites comments from market participants in relation to these issues, including on the following:

- The degree of competition between the SWM newspapers and *The Sunday Times* in competing for advertisers.
- The extent to which online advertising constrains the price of print newspaper advertising, and whether there are some advertisers for which online is not a constraint (and if so, the size of that group of advertisers).
- The extent to which other forms of advertising (including TV, radio, billboards, local newspapers, national newspapers, pamphlets) constrain the price of print newspaper advertising, and whether there some advertisers that cannot use these other options (and if so, the size of that group of advertisers).
- Whether advertisers consider there is a substitute for print newspaper advertising in Western Australia, particularly when targeting the older demographic.

Issue unlikely to raise concern – the acquisition of content from content providers

69. In respect of content acquired from third party providers (e.g. newswire services), such as national or international news, the loss of a single newspaper customer is unlikely to be significant from a competition perspective.

70. The ACCC understands that much of the local Western Australian news and information in *The Sunday Times*, *The West Australian* / *The Weekend West* and related online news sites is supplied in-house by journalists rather than acquired from third parties.
71. Accordingly, the ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in any relevant market for the acquisition of content from content suppliers.

Issue unlikely to raise concern – competition between the online sites for advertisers

72. The ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in relation to online advertising.
73. With respect to the provision of advertising opportunities on SWM and News' online news platforms, the ACCC is considering the level of competitive constraint on the parties from other websites. To the extent that advertisers seek only to place advertisements before the "eyeballs" of online users, it may be the case that other online platforms (such as Google and Facebook) represent alternative options for advertisers. This would be the case even though these services may not represent alternatives from a product perspective for readers.
74. The ACCC considers that for most Western Australian businesses that use online advertising, there are likely to be a range of sites where they can advertise, not just news sites. In particular, advertising may be configured to target Western Australians, as websites can often detect the location of the user, and target the advertisements accordingly.
75. The ACCC is also considering the degree to which losing advertising revenues to these other online advertising options acts as a constraint in relation to the quality of online content. That is, the ACCC is still considering whether the desire to maintain online advertising revenues may constrain publishers to produce high quality online news content at low prices for readers in order to maintain readership and therefore, the attractiveness of their site for advertisers.

Other considerations

76. Conditional on the proposed acquisition proceeding, SWM and News also propose to enter into the following arrangements:
 - *Content sharing arrangements* whereby News and SWM are licensed to publish each other's' print and digital content in certain of their own publications on a non-exclusive basis for a period of 4 years
 - *Advertising re-sale arrangements* whereby News and SWM are permitted to re-sell advertising space in each other's' print and digital publications for a period of 12 months, and
 - *Printing and distribution arrangements* whereby SWM will print and distribute *The Australian* for News in Western Australia and print and distribute certain community newspapers in Western Australia.

77. These proposed sharing arrangements are relevant to the ACCC's assessment of the likely competitive conditions in the future with the proposed acquisition.

ACCC's future steps

78. The ACCC will finalise its view on this matter after it considers submissions invited by this Statement of Issues.
79. As noted above, the ACCC now seeks submissions from market participants on each of the issues identified in this Statement of Issues and on any other issue that may be relevant to the ACCC's assessment of this matter. Submissions are to be received by the ACCC no later than 18 August 2016 and should be emailed to mergers@acc.gov.au with the subject: *Submission re: West Australian Newspapers/News - attention Jason Byrne /Mandy Bendelstein*. If you would like to discuss the matter with ACCC officers over the telephone or in person, or have any questions about this Statement of Issues, please contact Mandy Bendelstein on (02) 9230 3890 or Jason Byrne on (02) 6243 1279.
80. The ACCC intends to publicly announce its final view by 15 September 2016. However the anticipated timeline may change in line with the *Informal Merger Review Process Guidelines*. A Public Competition Assessment may be published following the ACCC's public announcement, to explain its final view.