

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates, 16 February 2006

Question: AT 51

Topic: *Advertising market*

Hansard Page: Written

Senator CONROY asked:

I understand that the ACCC has done some work recently on the employment and real estate advertising markets.

1. Has the ACCC done any research on the extent to which internet advertising is a substitute for print advertising?
2. Is there any evidence to indicate that internet and print advertising may be complementary products rather than substitutes?
3. If this the case, what are the implications for market definition in these advertising markets?
4. Does the ACCC believe that print, radio, television and internet advertising services are substitutes?

Answers to 1-3:

The ACCC recently considered a number of matters including mergers where consideration was given as to whether internet advertising is a substitute for print advertising – that is, whether there existed a single print and internet advertising market for these transactions.

This consideration was in accordance with the principles used by the ACCC to define markets generally. In particular, when assessing a market, the ACCC seeks to define the appropriate product and geographic markets. Broadly, the appropriate product market includes all suppliers of products to whom consumers would be likely to switch to avoid a price rise. It also includes suppliers who could, without significant investment, commence supplying the product. The relevant geographic market includes all suppliers who currently supply the area or who would be likely to commence supplying this area if the merged company raised its prices.

However because in considering these matters the ACCC formed a view that there was unlikely to be a breach of the TPA irrespective of whether separate markets for

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print advertising and internet advertising were defined or whether a single market for print and internet advertising was defined there was no need to directly address the issue of whether internet advertising is a substitute for, or complement to, print advertising.

Answer to 4:

Generally, the ACCC only forms conclusions about issues such as the one raised in Question Four as part of reaching a conclusion about whether there would be likely to be a breach of the TPA. This allows the ACCC to undertake an appropriate investigation – particularly including consultation with interested parties – before reaching a conclusion. In addition, market definitions are specific to the matter being considered, and different matters, even within the same industry, may not give rise to the same market definitions. .