

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates, 16 February 2006

Question: AT 52

Topic: *ACCC News Markets*

Hansard Page: Written

Senator CONROY asked:

In November 2005, the ACCC indicated that it was doing some work in defining news and information markets in Australia.

1. Can the ACCC update the Committee on the progress of this work?
2. Can you outline the methodology that the ACCC is using seeking to define news and information markets?
3. Has the ACCC attempted to construct a diversity index for Australia similar to the one that has been used by the FCC in the United States? If so can you provide the Committee with details of this work?
4. Does the ACCC believe that all media (i.e. free to air television, radio, pay television, newspaper and the internet) should be considered substitutes for news and information purposes?

Answers

1. The ACCC is continuing to prepare for changes to cross-media laws – see *Discussion Paper on Media Reform Options* issued on 14 March 2006 by the Hon Helen Coonan MP, Minister for Communications, Information Technology and the Arts. These changes may increase the number of media mergers coming before the ACCC for assessment. As part of its preparation, the ACCC is considering, in an informal and preliminary way, a range of competition issues that might arise should a cross-media merger come before the ACCC. The definition of news and information markets is one aspect of this exercise.

Among other things, the *Discussion Paper* states that once the Government's media reform framework has been settled, the ACCC will be asked to articulate its proposed approach to media mergers, particularly in relation to those factors that will affect its definition of media markets. The ACCC will respond to any such Government request for an articulation of its approach to media mergers.

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates, 16 February 2006

2. News and information markets would be defined in accordance with the principles used by the ACCC to define markets generally. In particular, when assessing a merger, 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 by the merged company. It also includes suppliers who could, without significant investment, commence supplying the product supplied by the merged company. The relevant geographic market includes all suppliers who currently supply the area supplied by the merged company or who would be likely to commence supplying this area if the merged company raised its prices.
3. The ACCC's sole role as regards media mergers is to protect competition in media markets by enforcing section 50 of the TPA. It is not the ACCC's role to protect media diversity (although this will occur to the extent that competition produces diversity). Consequently, the ACCC has not attempted to construct a diversity index similar to the one that has been used by the FCC in the United States.
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 an actual merger proposal would be likely to breach section 50 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 merger being considered, and different merger proposals, even within the same industry, may not give rise to the same market definition because of differences in the facts.