



Australian
Competition &
Consumer
Commission

15 August 2007

Statement of Issues — Fairfax Media Limited / Rural Press - acquisition of Riverina Media Group

1. Outlined below is the Statement of Issues released by the Australian Competition and Consumer Commission (ACCC) in relation to the acquisition of Riverina Media Group (RMG) by Rural Press. Rural Press is now owned by Fairfax Media Limited (Fairfax).
2. A Statement of Issues published by the ACCC is not a final decision about a proposed or completed 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.
3. The ACCC has established a secondary timeline for further consideration of the issues. The ACCC anticipates completing further market inquiries by **30 August 2007** and anticipates making a final decision on **21 September 2007**. However, the anticipated timeline can change. To keep abreast of possible changes in relation to timing and to find relevant documents, market participants should visit the Mergers Register on the ACCC's website at www.accc.gov.au/mergersregister.
4. A Statement of Issues provides an opportunity for all interested parties (including customers, competitors, shareholders and other stakeholders) to ascertain and consider the primary issues identified by the ACCC. It is also intended to provide the merger parties and other interested parties with the basis for making further submissions should they consider it necessary.

Background

5. On 2 May 2007, Rural Press acquired RMG. The acquisition has been reviewed taking into account Fairfax's subsequent acquisition of Rural Press on 9 May 2007, including RMG.
6. Rural Press provided the ACCC with a submission on 7 May 2007. Fairfax then provided the ACCC with more information and then another submission on 9 July 2007. Further information has subsequently been provided by Fairfax.

The ACCC was not notified of the acquisition of RMG prior to the acquisition taking place.

The parties

Fairfax Media Limited

7. Fairfax is a newspaper publishing group which operates in both Australia and New Zealand. In Australia, its key metropolitan titles include *The Sydney Morning Herald* in Sydney and *The Age* in Melbourne. Fairfax also publishes regional newspapers, including *The Border Morning Mail* based in Albury Wodonga.
8. Fairfax operates a community media division, Fairfax Community Newspapers, which publishes local and community newspapers in NSW and Victoria.
9. On 9 May 2007, Fairfax acquired Rural Press, which publishes *The Canberra Times*, ten regional dailies and over 160 non-daily regional publications. Fairfax publications circulated in southern NSW include *The Southern Weekly Magazine* and *The Land*. *The Southern Weekly Magazine* is a free weekly newspaper inserted into 26 regional newspapers throughout southern NSW. *The Land* is a state-wide, paid weekly agribusiness publication. *The Land* also includes a regional supplement distributed in southern NSW, *The Land Regional Supplement*.

Riverina Media Group

10. RMG is a newspaper publishing business which was owned by UIG Investments Pty Ltd prior to the acquisition by Rural Press.
11. RMG publishes two free monthly seniors' publications with national coverage, *The Senior* and *The Australian Senior Traveller*, aimed at senior citizens.
12. RMG's other publications primarily circulate in southern NSW, and include: a paid daily newspaper, *The Wagga Daily Advertiser*; 5 local newspapers in the Riverina area; and an agribusiness publication, *The Rural*. *The Rural* is a free weekly newspaper inserted into 16 local newspapers in southern NSW, concentrating on the Riverina area.
13. RMG owns printing equipment and operates a design studio.

Industry background

14. Newspaper products relevant to this acquisition include:

- *Regional daily newspapers* – paid, usually daily, newspapers circulating in smaller cities and surrounding areas and towns (eg. *The Daily Advertiser* in Wagga Wagga)
- *Local/community newspapers* – free or paid, these papers provide locally focused news and information and locally relevant advertising. They are usually circulated on a weekly or bi-weekly basis;
- *Free insert newspapers* – usually weekly, these insert newspapers are provided with numerous local/community newspapers in a lift-out style. It is possible for a local/community newspaper to have more than one free insert newspaper in a single edition;
- *Specialist agribusiness newspapers* – these specifically provide agricultural content and advertising to rural farming areas. These can range from regional to state-wide publications, and may be inserts into paid or free local/community newspapers.

Market inquiries

15. On 8 May 2007, the ACCC commenced market inquiries regarding the proposed acquisition. Further market inquiries were conducted after Fairfax provided a further submission on 9 July 2007. A range of interested parties provided responses, including local advertisers, advertising agencies, and local newspapers in the greater Riverina / southern NSW area.

Statement of issues

16. For the purposes of this Statement of Issues, the issues in this matter are divided into two categories, ‘issues that may raise concerns’ and ‘issues unlikely to pose concerns’. The ACCC is inviting information from interested parties (preferably supported by examples and supporting evidence) in relation to all issues.

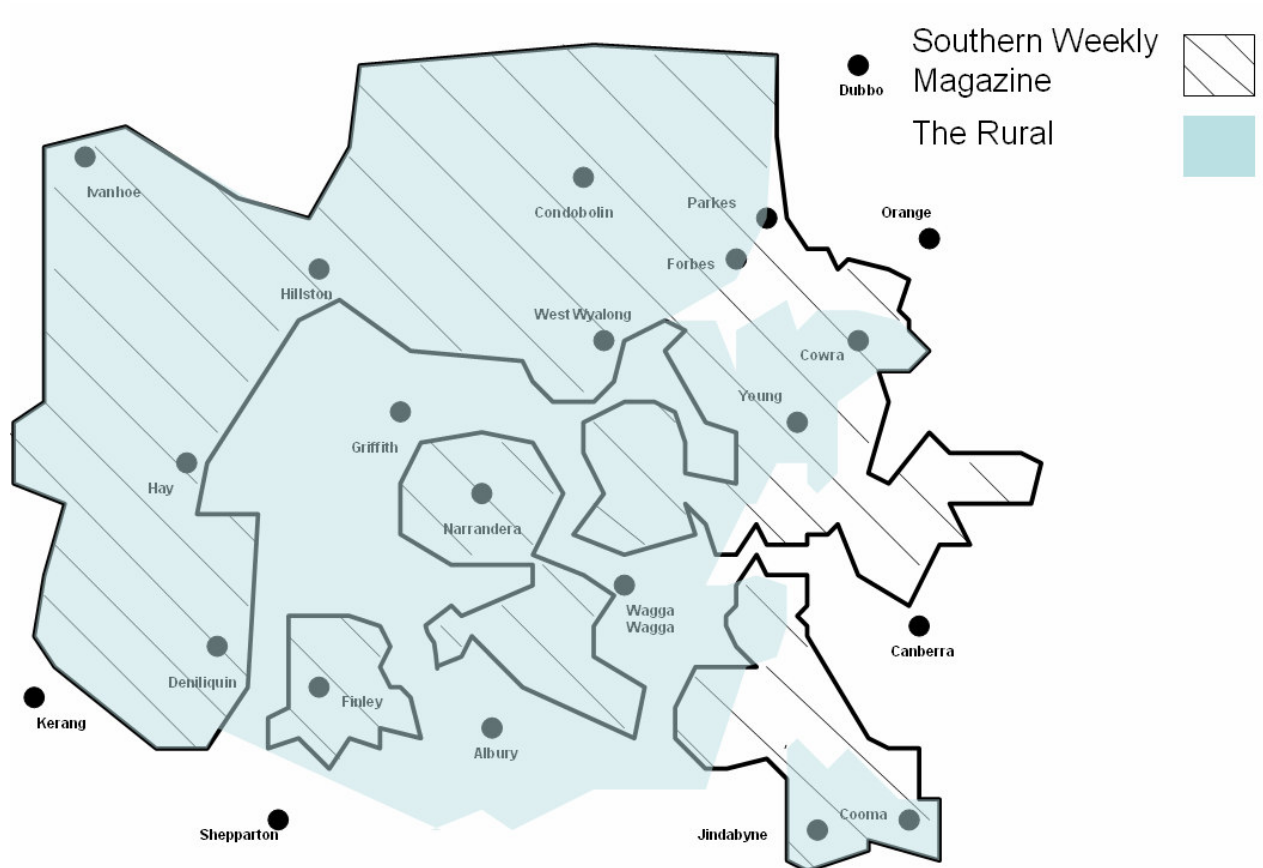
Issues that may raise concerns

17. The ACCC is concerned that the following issues may raise competition concerns:
 - The acquisition may result in the aggregation of the three main options for print advertising in the greater Riverina / southern NSW area for the agribusiness industry, being *The Rural*, *The Southern Weekly Magazine* and *The Land* (in particular *The Land Regional Supplement* for southern NSW); and
 - *The Rural* and *The Southern Weekly Magazine* may be each other’s closest competitors for advertising in the greater Riverina / southern NSW region, given the significant degree of overlap between the distribution areas of these two publications.

18. The ACCC invites further comments as to the degree of competition that exists between *The Rural* and *The Southern Weekly Magazine* and also between *The Rural* and *The Land* (in particular *The Land Regional Supplement* for southern NSW). Specifically, the ACCC invites comments on:

- whether readers consider the papers compete strongly in the provision of agricultural-focussed content;
- whether advertisers consider the papers to be close alternatives for advertising; and
- whether other providers of print advertising or other methods of advertising (including radio, television, mail-drops) are considered close alternatives for advertising.

19. The map below demonstrates the circulation areas of *The Rural* and *The Southern Weekly Magazine*. The map has been prepared by the ACCC on the basis of the information it currently has available and therefore may not fully reflect the actual distribution areas. The map relates to the known distribution areas of *The Rural* and *The Southern Weekly Magazine*.



20. In addition to comments regarding the degree of competition between *The Rural*, *The Southern Weekly Magazine* and *The Land* (in particular *The Land*

Regional Supplement for Southern NSW) the ACCC also invites comments in relation to:

- the height of barriers to entry to establishing a new paper that could compete with *The Rural* and *The Southern Weekly Magazine* in the provision of content and advertising for agricultural businesses. In particular, how difficult would it be to establish a new paper that will be widely read across the greater Riverina / southern NSW region and will have viable means of distribution;
- whether there would be competitive constraints operating on the merged entity that would be sufficient to ensure that the acquisition does not give rise to a substantial lessening of competition with respect to agribusiness publications in the greater Riverina / southern NSW area. The ACCC notes that some other publications with an agribusiness focus may provide a degree of constraint, including *The Riverina Farmer*. The ACCC also notes that advertising in multiple local papers may provide a degree of constraint, despite the smaller geographic scope of each individual local paper;
- the degree of countervailing power from advertisers. It is noted that for some local publications in Australia, advertisers such as real-estate agents may have some countervailing power due to the ability to threaten to establish their own new paper. The ACCC seeks comments on whether agricultural business advertisers or other advertisers have countervailing power due to the ability to threaten to establish a new publication in the greater Riverina / southern NSW area or the ability to support a new entrant in the relevant area; and
- whether agricultural-focused inserts can be considered to be in a separate market from the perspective of advertisers and from the perspective of readers.

Issues unlikely to pose concerns

Horizontal aggregation of local/community newspapers

21. The ACCC's preliminary view in relation to horizontal aggregation of local/community newspapers which are based in separate towns/cities is that the acquisition is unlikely to raise competition concerns. The ACCC considers that the local community/newspapers do not compete with each other for either advertising or in terms of the provision of content. The local/community newspapers primarily serve their respective geographically distinct areas. The acquisition of RMG does not involve the consolidation of local/community newspapers in any one town or city.

Seniors' publications

22. The ACCC's preliminary view is that the acquisition of RMG's seniors' publications is unlikely to raise competition concerns. The seniors' publications do not appear to compete closely with Fairfax publications. The ACCC

considers that alternative publishing companies are well placed to compete with such seniors' publications.

Printing and design studio operations

23. The ACCC's preliminary view is that the acquisition of RMG's printing and design studio operations is unlikely to raise competition concerns in relation to the supply of printing and design services in the greater Riverina / southern NSW area.
24. The ACCC considers that substitute printing services are available in southern NSW and northern Victoria. In respect of design studio operations, Fairfax did not appear to compete with RMG prior to the acquisition.
25. Nonetheless, the ACCC will accept further submissions from industry participants and will further consider these product areas if it considers further assessment is warranted.

ACCC's future steps

26. The ACCC will finalise its view on this matter after it considers market responses invited by this Statement of Issues.
27. 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.
28. Submissions are to be received by the ACCC no later than **30 August 2007**. The ACCC will then consider the submissions and information received from industry participants and Fairfax, and will come to a final view as to the appropriate course of action to take to resolve any competition concerns that remain.
29. The ACCC intends to publicly announce its final view by **21 September 2007**. However the anticipated timeline may change in line with the *Merger Review Process Guidelines*. A Public Competition Assessment for the purpose of explaining the ACCC's final view may be published following the ACCC's public announcement.