



Australian
Competition &
Consumer
Commission

Our Ref: 59725
Contact Officer: Jaime Martin
Contact Phone: (03) 9290 1477

GPO Box 3131
Canberra ACT 2601

23 Marcus Clarke Street
Canberra ACT 2601

tel: (02) 6243 1111
fax: (02) 6243 1199

www.accc.gov.au

22 July 2016

Mark McCowan
Partner
Corrs Chambers Westgarth

Via email: mark.mccowan@corrs.com.au

Dear Mr McCowan

**Re: Property Media Group applications for authorisation (A91537 – A91538) –
information request**

Thank you for meeting with the Australian Competition and Consumer Commission (ACCC) on 19 July 2016. In particular, the ACCC requested to meet with REA Group (REA) to discuss issues raised during the consultation process and within REA's submission of 25 May 2016.

As foreshadowed at the end of our meeting, the ACCC would appreciate REA's written response to the issues provided at Attachment A.

Further, PMG has today finalised the scope of its request to exclude certain information in its submission of 26 May 2016 from the public register. Please find a public register version of PMG's submission attached.

I note REA's previous advice that it would like to respond to further material provided by PMG, including in its submission of 23 June 2016, Dr Rhonda Smith's Report and its submission of 26 May 2016 (in response to the ACCC's information request of 11 May 2016).

The ACCC would appreciate receiving REA's response to the ACCC's information request and any issues raised in PMG's submissions by **Wednesday, 10 August 2016**.

The ACCC intends to publish this letter on the public register on **Tuesday 26 July 2016**, subject to any concerns raised by REA.

The ACCC will also place REA's submission in response on the public register, subject to receiving any request for exclusion from REA.

If you would like to discuss any of the issues raised, please contact Jaime Martin on (03) 9290 1477 (or at jaimemartin@accc.gov.au) or myself on (02) 6243 1266 (or at david.hatfield@accc.gov.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'D. Hatfield', is positioned above the typed name.

David Hatfield
Director
Adjudication Branch

Attachment A – Property Media Group applications for authorisation (A91537-A91538)

Request for information from REA Group – 21 July 2016

1. At page 13 of its submission of 25 May 2016, REA advises that around 34 per cent of its total revenue is obtained from third party advertisers, such as banks, insurance companies and furniture retailers.
 - a) Have any of these advertisers raised concerns with REA about the proposed collective bargaining and boycott arrangements?
 - b) What effect does REA think the conduct, if authorised, would have on these third party advertisers?
 - c) How will it impact REA's ability to earn revenue from them?
2. REA's submission of 25 May 2016 states that its prices are currently transparent to all agents. However, the ACCC has received submissions disagreeing with this claim.
 - a) Can you please explain how REA makes its prices available to agents, including whether listing prices are available to all agents across all locations? In your response, please provide examples/screen shots of what agents see when they search for REA's listing prices for properties in an inner city suburb, an outer suburb in the city, and a regional location.
3. At page 21 of its submission of 25 May 2016, REA submits that its various depth listing discounts under depth contracts are 'offered equally to all agents.'
 - a) Please describe any depth contracts that are only offered in certain locations.
 - b) How often does this occur?
4. We understand that REA does not provide volume discounts to franchise networks. Please outline if there are any other payments, rebates or effective discounts that REA offers franchise networks?
5. At page 34 of its submission of 25 May 2016, REA advises that agents have threatened not to list properties on REA's platform or not to recommend the ongoing use of REA's platform.
 - a) Can REA provide examples of these situations and whether or not these threats were actually carried out?
 - b) Did REA change its offering to these agents?
6. At page 49 of its submission of 25 May 2016, REA describes it as 'routine' for agents to purchase multiple subscriptions to give themselves maximum flexibility. However, during our consultation process, the ACCC has been advised that agents do not do this.
 - a) Please provide an estimate of the proportion of REA's customers that have multiple subscriptions with it?
7. At page 50 of its submission of 25 May 2016, REA submits that a relatively small proportion of its customers actively use the allotted exceptions under 'Premiere All' depth contracts. However, it has been suggested to the ACCC that agents almost always exhaust the permitted exceptions and often part way through the month.
 - a) The ACCC understands that 'permitted exceptions' only relate to 'Contract All' depth contracts. To the extent possible, can REA please provide an estimate of the proportion of 'Contract All' contracts it currently has.

- b) Of these, please provide a further breakdown of the rate of use of the permitted exceptions.
 - c) To the extent that exceptions are being fully exhausted, have agents raised these concerns with REA Account Managers and if so, what was REA's response?
 - d) To the extent that the permitted downgrade exceptions are not being fully exhausted, does REA have a view as to why this might be occurring?
8. At page 53 of its submission of 25 May 2016, REA submits that if PMG were authorised to collectively bargain, it would be in a position to negotiate prices that are lower than REA's current prices (even without the ability to boycott).
- a) Please explain why REA considers this will occur if collective bargaining were voluntary.
9. At page 57 of its submission of 25 May 2016, REA submits that should collective bargaining result in a reduction in price at a particular level of depth listing on REA's platform relative to other types of depth listing, it would result in a 'flattening' of REA's pricing model. This would result in homogeneity of listings, and therefore, any material reduction in prices for premium listings is likely to simply result in renewed demand for a higher level of listing by agents seeking to differentiate their properties.
- a) Please explain why REA considers this is likely to occur – that is, wouldn't PMG be likely to seek to negotiate price reductions and greater contract flexibility across REA's entire range of listing types?
10. At page 5 of its submission of 25 May 2016, REA advises that its base subscriptions have declined in price over the last three years. However, the ACCC has heard reports of REA recently announcing significant increases across its listing prices.
- a) Can REA please confirm whether this is correct? In your response, please outline the nature of any increase and what has driven this increase.
11. Can REA please provide examples of when it has adjusted its pricing to compete or grow market share? If so, would REA expect demand to drop off if it subsequently increased its prices?
12. At page 66 of its submission of 25 May 2016, REA submits that if PMG could negotiate a 'special deal' for a group of agents, the transparency of REA's listing prices on its platform would be immediately reduced.
- b) Can you please provide further information about what impact the proposed collective bargaining arrangements would have on REA's listing prices and contracting processes for agents outside PMG's collective bargaining group.