



23 Marcus Clarke Street  
Canberra ACT 2601

GPO Box 3131  
Canberra ACT 2601

tel: (02) 6243 1368  
[mergers@acc.gov.au](mailto:mergers@acc.gov.au)

[www.acc.gov.au](http://www.acc.gov.au)

Our ref: IM-71678  
Contact officer: Steven Lee  
Contact phone: 02 6243 1347

20 June 2022

Dear Interested Party

**Re: Request for submissions: Microsoft's proposed acquisition of Activision Blizzard**

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of Activision Blizzard, Inc. by Microsoft Corporation (the **proposed acquisition**).

Microsoft is a global technology company that supplies a range of products and services, including video games and gaming hardware. Activision Blizzard is a video game developer and publisher. Further details are provided at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- how closely Microsoft and Activision Blizzard compete
- whether price levels will increase or service quality will decrease due to the proposed acquisition, and
- whether a combined Microsoft/Activision Blizzard would have the ability to foreclose competitors or suppliers of Microsoft or Activision Blizzard.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public, and you can forward this letter to anybody who may be interested.

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 are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **11 July 2022** via email with the title: *Submission re: Microsoft/Activision Blizzard - attention Olivia King/Steven Lee*. If you require more time to respond, please let us know.

If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Olivia King on 03 9290 1498 or Steven Lee on 02 6243 1347.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

***Confidentiality of submissions***

The ACCC treats sensitive information it receives during a merger review as confidential, and will not publish your submission. 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, we will notify you in advance where possible so that you have an opportunity to be heard. Therefore please clearly indicate if any information you provide is confidential.

Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Bruce Mikkelsen  
General Manager (a/g)  
Merger Investigations

## Attachment A

### Microsoft

Microsoft is a publicly listed, US-based global technology company. Microsoft offers a range of products and services across various information technology categories.

As part of its offering, Microsoft:

- a) develops, publishes and distributes video games (including AAA games), including in Australia. Microsoft distributes first and third-party digital video games through the Microsoft Store and Xbox Store. Microsoft's top video game franchises include Minecraft, Forza and Elder Scrolls Online.
- b) offers video gaming subscription services (for example, Xbox Live and Xbox Game Pass), which provide access to first and third-party video games, online gaming functionality and cloud gaming functionality.
- c) manufactures and sells dedicated gaming consoles under its Xbox brand. Microsoft also manufactures and sells PCs and smartphones.
- d) offers cloud computing services under its Azure brand, including Azure PlayFab, which is targeted at video game developers.
- e) generates some revenue from online advertising within video games.
- f) sells and licenses video game-related merchandise and operates an online merchandising store, the Microsoft Company Store.

### Activision Blizzard

Activision Blizzard is a publicly listed, US-based company that operates through three main business units: Activision Publishing, Inc (Activision), Blizzard Entertainment, Inc (Blizzard) and King Digital Entertainment (King). Activision Blizzard:

- a) develops, publishes and distributes video games (including AAA games), including in Australia. Activision Blizzard distributes first-party digital video games through its digital storefront, Battle.net. Activision Blizzard's top video game franchises include Call of Duty, Candy Crush and Warcraft.
- b) generates revenue from online advertising, particularly in smartphone games.
- c) provides and licenses video game-related merchandise through online merchandising stores, such as gear.blizzard.com.

### Areas of overlap and vertical links

Microsoft and Activision Blizzard overlap in the:

- development and publication of video games, including AAA games, for PC, console and smartphone
- digital distribution of video games for PC and console
- supply of online display advertising services, and
- supply and licensing of video game-related merchandise.

There are also a number of non-horizontal links between Microsoft and Activision Blizzard's activities, including:

- Activision Blizzard developing and publishing video games, including AAA games, that are available through Microsoft's distribution channels.
- Activision Blizzard developing and publishing video games, including AAA games, that are playable on Microsoft's gaming hardware devices, including its gaming consoles.

## Attachment B

### About your business

1. Please describe your business or organisation and explain your interest in the proposed acquisition, including any commercial or competitive relationship(s) with Microsoft or Activision Blizzard.
2. Please describe the kinds of video game-related products and/or services you supply and/or acquire in Australia. This may include discussion of:
  - a) the methods by which you supply and/or acquire products or services.
  - b) the geographic dimensions of your activities, if any, including any factors specific to Australia.

Please distinguish between PC, console and smartphone video games in your answer.

3. For each product or service that you supply and/or acquire in Australia, please identify your competitors, particularly in Australia, and estimate market shares where possible.
4. In your view, how easy or difficult would it be for a business to:
  - a) switch or expand from developing, publishing and/or distributing video games on one platform (PC, console or smartphone) to another platform.
  - b) enter or expand into your activities. Please consider the likely timeframe for market entry and detail any barriers to entry.

### Microsoft and Activision Blizzard

5. Please describe how and the extent to which Microsoft and Activision Blizzard compete in the supply of the following (the **areas of overlap**):
  - a) development and publication of video games, including AAA games
  - b) digital distribution of video games, including gaming subscription services
  - c) supply of online display advertising services, as relates to video games, particularly on smartphones, and
  - d) supply and licensing of video game-related merchandise.

Relevant factors may include price, terms, technical capabilities, or scope of offerings.

6. Please identify and describe alternative customers/suppliers for each area of overlap. Please:
  - a) explain how and the extent to which these suppliers compete with Microsoft and/or Activision Blizzard in respect of each area of overlap, taking into account factors such as price, terms, technical capabilities or scope of offerings, and

- b) comment on any suppliers you consider to be particularly vigorous or effective competitors to Microsoft and/or Activision Blizzard in each area.
7. Explain how easy or difficult it would be for you to switch from supplying or acquiring any of the gaming products and/or services to/from the combined Microsoft-Activision Blizzard to another customer or supplier, and the costs and timeframes involved. Provide specific examples where possible.
  8. Please discuss whether you would have the ability to bypass supply of any of the gaming products and/or services from the combined Microsoft-Activision Blizzard by either self-supplying or sponsoring the entry of another supplier.

Competitive dynamics

9. In Australia and/or globally, how dynamic, innovative, and competitive is (as relevant to you):
  - a) each area of overlap
  - b) the supply of gaming hardware, particularly dedicated gaming consoles
  - c) the supply of 'AAA' games
  - d) the supply of cloud computing services for the development of video games.

Please distinguish between PC, console and smartphone video games in your answer.

10. How do the main competitors for gaming hardware compare based on factors such as price, service quality, exclusive gaming content and share of supply?
11. How easy or difficult is it for a consumer to switch between gaming hardware devices, and how common is it for consumers to use different gaming hardware devices simultaneously?
12. In your view, to what extent can cloud computing services be segmented into specialised categories, such as cloud computing services for gaming companies?
13. Please comment on how you expect any industry developments in the next 3 to 5 years to impact competition in each area of overlap. Consider factors such as the likelihood of new entry, changing consumer/gamer preferences and any relevant emerging technologies, business models or practices.

Impact of the proposed acquisition

14. Please describe how customers and competitors are likely to respond if a combined Microsoft-Activision Blizzard sought to:
  - a) increase prices or lower service quality, and/or
  - b) make Activision Blizzard video games exclusively available on Microsoft consoles or through Microsoft distribution channels, such as the Xbox Store or Game Pass subscription service.

15. In your view, what is the likelihood and potential impact of Microsoft limiting:

- a) your ability to offer Activision Blizzard video games
- b) access to its digital storefronts, such as the Xbox Store, and/or
- c) access to its cloud computing services (Microsoft Azure).

Please provide reasons to support your view.

16. In what way and to what extent, if any, would the proposed acquisition be likely to affect the incentives for:

- a) developers and publishers to develop and publish video games for PCs, consoles and smartphones, and
- b) distributors to distribute digital video games for PCs, consoles and smartphones.

Additional information or comments

17. Please provide any additional information or comments that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the *Competition and Consumer Act 2010*.