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Dear Madam/Sir

Application for merger authorisation MA1000019 – ACCC’s preliminary views and issues about which we are seeking further information

On 14 January 2020 Gumtree AU Pty Ltd (**Gumtree**) lodged an application for merger authorisation for its proposed acquisition of Cox Australia Media Solutions Pty Ltd (**Cox Media**) (**the proposed acquisition**).

The ACCC has released the attached document providing a summary of the issues raised during the consultation process about the proposed acquisition, both publicly and confidentially (in a de-identified form). The attached document also outlines the ACCC’s preliminary views about the proposed acquisition and the issues about which we are seeking further information.

Making a submission

Under the current statutory timeframe the ACCC must issue a determination in relation to Gumtree’s merger authorisation application by 28 April 2020. Therefore, if you wish to make a submission about any of the issues discussed in the attached outline of the ACCC’s preliminary views, we request that you provide your submission by no later than 23 March 2020. Under the *Competition and Consumer Act 2010* the ACCC may, but need not, take into account submissions received after this date.

Submissions should be emailed to mergerauthorisations@acc.gov.au with the subject [your company name]: MA1000019 – submission.

Alternatively, if you would like to provide comments orally, please contact Tim Byrne on 03 9658 6440 or tim.byrne@acc.gov.au to organise a suitable time.

The public register and requesting confidentiality

Authorisation is a public process. The ACCC must keep a public register of documents relating to the application for merger authorisation, including submissions made by interested parties. The ACCC’s public register can be found at the following link: [Merger authorisations register](#).

All submissions (including yours) will be published subject to confidentiality claims. You may request that your submission, or parts of it, be excluded from the public register for confidentiality reasons. For example, if your submission contains commercially sensitive information or if revealing that you have made a submission could cause you commercial harm. You must make your claim for confidentiality at the time of providing the submission to the ACCC and all claims must be substantiated.

Refer to the [ACCC's Guidelines](#) for excluding information from the public register for any requests for material to be excluded from the public register.

Next steps

The ACCC must issue a determination in relation to this merger authorisation application by 28 April 2020, unless the applicant agrees to extend this timeframe.

This letter will be published on the public register. You can forward this letter to anybody who may be interested.

Yours sincerely

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

Tom Leuner
General Manager
Merger Investigations

Application for merger authorisation MA1000019 – the ACCC’s preliminary views and issues about which we are seeking further information

Key points

A key issue for the ACCC is whether it can be satisfied that the proposed acquisition would not be likely to substantially lessen competition for the supply of online automotive classified advertising.

The ACCC considers that there is a likely trade-off between the competitive losses and gains from the proposed acquisition. The ACCC is weighing the extent to which the proposed acquisition is likely to enhance competition for the supply of online automotive classified services by creating a more vigorous and effective competitor in the market against the likely loss of competition resulting from the loss of Carsguide/AutoTrader as an independent competitor. The ACCC seeks further submissions about this issue.

The ACCC is also seeking further submissions about the extent to which Facebook Marketplace competes with other online automotive classified platforms for dealer listings and the competitive constraint Facebook Marketplace is likely to impose on the merged entity.

1. Background

- 1.1. The ACCC is currently considering an application for authorisation lodged by Gumtree AU Pty Ltd (**Gumtree**) for its proposed acquisition of Cox Australia Media Solutions Pty Ltd (**Cox Media**) (**the proposed acquisition**).
- 1.2. This document provides a summary of the issues raised in submissions and provides the ACCC’s preliminary views about the key issues.

The legal test for merger authorisation

- 1.3. The ACCC may grant authorisation if it is satisfied, in all of the circumstances, that either:
 - (i) The proposed acquisition would not have the effect, and is not likely to have the effect, of substantially lessen competition, or
 - (ii) The proposed acquisition is likely to result in public benefit, and this public benefit outweighs the likely public detriment.
- 1.4. The ACCC may grant merger authorisation subject to conditions including, but not limited to, a condition that a person must give and comply with an undertaking under section 87B of the *Competition and Consumer Act* (2010) (**the Act**).

Overview of the proposed acquisition

- 1.5. Cox Media is a subsidiary of Cox Automotive Australia Pty Ltd (**Cox Automotive**), which is 70% owned by Cox Automotive International Sarl, and 30% owned by DealerMotive Ltd (**DealerMotive**), a consortium of Australian dealer groups.

- 1.6. Cox Automotive has three divisions:
- its Media Solutions division, run via Cox Media, which operates the Carsguide.com.au and AutoTrader.com.au platforms
 - its Retail Solutions division, run via Dealer Solutions Pty Ltd (**Dealer Solutions**), which offers dealer platforms and services, and
 - its Inventory Solutions division, run via Manheim Pty Ltd, which offers wholesale inventory solutions (primarily focused on wholesale vehicle auctions) and consumer facing auctions.
- 1.7. The business and assets proposed to be acquired by Gumtree are those of Cox Media (Carsguide/AutoTrader).
- 1.8. Gumtree and Cox Media (through its online platforms Carsguide and AutoTrader) both offer online automotive classified advertising within Australia.
- 1.9. Gumtree and Carsguide/AutoTrader also supply space on their respective platforms and mobile applications to third parties for display advertising. Display advertisements (or banner advertisements) are advertisements appearing in boxes or other shapes on a web page to promote a product or service.

The merger parties

The acquirer – eBay and Gumtree

- 1.10. Gumtree is a subsidiary of eBay Classifieds Holding B.V., whose ultimate parent company is eBay Inc. In Australia, eBay operates a multi-category general classifieds platform through its website eBay.com.au. Gumtree is managed as part of the eBay Classifieds Group.
- 1.11. Gumtree operates a multi-category general classifieds platform which connects buyers and sellers of goods and services through online listings across a wide range of categories. Relevant to the Proposed Transaction, Gumtree operates Gumtree Cars, a dedicated specialised car selling platform, launched in 2017. Gumtree Cars is managed by a specific division within the Gumtree organisation, Gumtree Motors. eBay's classified platform also has a motors category.
- 1.12. Gumtree supplies online classifieds for new and used cars to both private sellers and dealers. Gumtree currently provides limited dealer-specific services to dealers using its platform. It currently does not offer any inventory or lead management system or other dealer-specific ancillary services.
- 1.13. Dealers listing vehicles on Gumtree must subscribe to a package in order to list vehicles on the Gumtree platform, with the more expensive packages allowing more features to promote listings. The price of each package depends on the number of listings the dealer chooses to display. Gumtree allows private sellers to list two vehicles at a time for free, with the option to add a paid features package to promote their listing/s.

The target – Cox Australia Media Solutions Pty Ltd

- 1.14. As noted above, Cox Media is a subsidiary of Cox Automotive, which is 70% owned by Cox Automotive International Sarl and 30% owned by DealerMotive, a consortium of Australian dealer groups. Only Cox Media, which operates the Carsguide.com.au and AutoTrader.com.au platforms, is the subject of the Proposed Transaction.

- 1.15. Carsguide is a platform that provides editorial content, such as reviews, news, vehicle comparisons, video content and expert advice, to help consumers understand their choices primarily in relation to new cars.
- 1.16. Both Carsguide and AutoTrader supply online classifieds services to dealers and private sellers. AutoTrader was launched in 2018 by Cox Media.
- 1.17. Carsguide and AutoTrader provide other related services to dealers and private sellers, for example:
 - For dealers: Carsguide and AutoTrader offer a 'Dealer Hub' portal which can be accessed from the AutoTrader platform and allows dealers to monitor and manage the performance of their listed vehicle.
 - For private sellers: Carsguide and AutoTrader offer a car valuation tool that allows sellers to input information about the car, and a suggested price range is provided.
- 1.18. Dealers listing on Carsguide/AutoTrader subscribe to a tiered product level, and are charged on a 'pay per view' basis for each view that their listing receives, as well as a small listing fee. The amount charged is capped, depending on the listing price of the vehicle. The cap operates for views across Carsguide and AutoTrader, and after it is reached, dealers are not charged for additional views. Dealers can pay an additional fee to feature listings more prominently on the platform. Private sellers can list on Carsguide and AutoTrader for free (and listings are displayed on both platforms).
- 1.19. AutoTrader has a syndication arrangement with Facebook Marketplace. This means that when a dealer lists a vehicle on AutoTrader, AutoTrader will automatically list the vehicle on Facebook Marketplace free of charge.

Other industry participants

- 1.20. In addition to the merger parties, there are a number of alternative businesses offering online automotive classifieds, via various commercial models. The largest of these competitors are discussed in more detail below.

Carsales.com.au

- 1.21. Carsales, established in 1997, is a specialist online automotive classifieds platform. Carsales owns or operates automotive listings businesses in Australia, Brazil, South Korea, Mexico, Chile and Argentina.
- 1.22. Carsales provides a range of digital listing services for dealers and private sellers as well as editorial content. Carsales also provides online inventory management and data services to automotive dealers as well as automotive specification and valuation information services.
- 1.23. Carsales charges dealers a fee per lead, depending on the price of the vehicle. Carsales offers private sellers the option to list a 'Standard Ad', 'Premium Ad' or 'Ultimate Ad', with the price increasing with each level. Private sellers can list vehicles priced at less than \$4,999 for free.

Facebook Marketplace

- 1.24. Facebook launched Marketplace in Australia in 2016, as another feature offered on the Facebook website and mobile app. Facebook Marketplace is used by Facebook users to buy and sell a range of different goods and services. This includes the listing for sale of used motor vehicles by both private sellers and dealers. Facebook Marketplace launched its 'Vehicles' category in November 2018.
- 1.25. Private sellers, who are also Facebook users, can directly place a vehicle listing on Facebook Marketplace for free. Dealers can also list used vehicles on Facebook Marketplace. To facilitate the listing of vehicles by dealers on Facebook Marketplace, Facebook has 'syndication' partnerships with online automotive classified platforms including Carsales, AutoTrader, Drive, and Trading Post whereby a seller listing a vehicle on one of these platforms is given the option to also have the listing posted on Facebook Marketplace.
- 1.26. Facebook Marketplace also has listing partnerships with businesses that specialise in providing automotive software and/or inventory listing and management services to dealers such as Dealer Solutions, Adtorque Edge, I-Motor, Jeal (Easycars) and Virtual Yard.
- 1.27. Dealers can also list vehicles directly on Facebook Marketplace in the same way private sellers do.

Drive

- 1.28. Drive is an online automotive classifieds platform owned by Nine Entertainment Co following Nine's acquisition of Fairfax Media in 2018. Drive displays new and used car listings from private sellers and dealers, as well as automotive editorial content.
- 1.29. Following the recent acquisition by Nine, Drive has been absorbed into the CarAdvice platform owned by Nine. CarAdvice is a publisher of new car content in Australia, providing reviews, advice, entertainment and news. CarAdvice's content is shared onto Drive's digital and print platforms.
- 1.30. Drive offers sellers two ways to advertise a vehicle: by listing it on the Drive platform, or by being matched to an accredited Drive dealer partner which will make an instant offer. In order to assist sellers to decide whether to list the vehicle for sale, or get an instant offer, Drive offers a free vehicle valuation tool on its site.

Trading Post

- 1.31. Trading Post is an online general classifieds provider that includes automotive classifieds. It is free for private sellers to list on Trading Post and free listings come with the ability to upload up to 15 photos and up to 15 videos. Sellers can purchase additional features to promote their listings.

Public consultation

- 1.32. The ACCC tests the claims made by an applicant in support of an application for authorisation, and by others who may support or oppose authorisation, through an open and transparent public consultation process.
- 1.33. In response to the application for authorisation of the proposed acquisition, the ACCC sought the views of a range of interested parties, including automotive dealers, automotive manufacturers, online automotive classified platforms, display

advertisers, industry associations, online classified platforms and providers of related services to dealers and advertisers.

- 1.34. The ACCC has received a range of market feedback through public and confidential submissions and market inquiries undertaken with interested parties. This market feedback is summarised below, including de-identified feedback that the ACCC has received in confidential submissions and market inquiries. Public submissions are available on the [Merger authorisations register](#).
- 1.35. The ACCC has also received a range of information and documents from Gumtree, Cox Media and third parties through use of its statutory information gathering powers and through voluntary requests for information.

2. ACCC's preliminary views

Relevant markets

- 2.1. The ACCC's preliminary view is that the following markets are relevant to the proposed acquisition:
 - the national market for the supply of online automotive classified advertising (this may be separate markets for each of private sellers and dealers, or a single market for both)
 - the national market for the supply of online display advertising on automotive classified platforms (on the basis that they provide a relatively unique and valued display advertising service to automotive related businesses wanting to reach prospective car buyers).

Online automotive classified advertising

- 2.2. Gumtree submits that there are separate markets for the supply of online automotive classified advertising to dealers and private sellers. This is similar to the approach the ACCC adopted in considering the proposed acquisition of Trading Post by Carsales.com in 2013.
- 2.3. The ACCC is considering whether the supply of online automotive classified advertising to dealers and private sellers may constitute a single market, or separate, but related, markets.
- 2.4. In this respect, the ACCC notes there is some difference in the marketing and supply of online automotive classified services to each of dealers or private sellers. For example, dealers tend to require more sophisticated systems to manage their inventory and platform providers offer different pricing structures for each group.
- 2.5. However the ACCC also considers that there are several reasons why the supply of online automotive classified advertising to dealers and private sellers could be considered a single market including:
 - listings are added to the platforms' databases in a consistent way such that buyers can search across all listings
 - some buyers may be expected to substitute between dealer and private seller vehicles, and
 - all major platforms currently supply automotive classified advertising services to both dealers and private sellers. This suggests there are benefits to

platforms from supplying to both types of sellers, such as growing their inventory and audience, giving buyers the ability to compare prices from both types of sellers, and attracting buyers to be private sellers in the future when they sell their existing car.

- 2.6. However, the ACCC considers that whether the supply of online automotive classified advertising to dealers and private sellers constitutes a single market or separate, but related, markets may ultimately not be decisive in determining the proposed acquisition's impact on competition, and any public benefits and detriments likely to result from it.

The ACCC seeks further submissions regarding whether the supply of online automotive classified advertising to dealers and private sellers may constitute a single market or separate markets, and why.

Online display advertising on automotive classified platforms

- 2.7. The ACCC's market inquiries to date indicate that the main acquirers of display advertising on automotive classified platforms are car manufacturers, car insurers and car financiers who value the dedicated automotive-focused audience viewing these platforms. This distinct audience may distinguish the display advertising offering of automotive classified platforms from other general digital platforms such as Google and Facebook. The ACCC's preliminary view is that there is likely to be a national market for the supply of online display advertising on automotive classified platforms.

The ACCC seeks further submissions about the extent to which online display advertising on other digital platforms and online classified sites are substitutes for display advertising on automotive classified platforms.

Market share measures – online automotive classified services

- 2.8. There are a number of metrics which can be used to measure market shares for online automotive classified advertising, including:
- **share of inventory:** the number of dealer and private seller automotive classified listings on a platform
 - **share of audience:** audience size can be derived from a range of measures such as unique views, unique browsers, page impressions and total time on a platform
 - **share of revenue:** the amount of revenue derived from paid automotive classifieds and paid display advertisements.
- 2.9. However, the nature of the market means there is no single, generally accepted measure for determining market share. Each measure provides slightly different insights and has its own limitations.
- 2.10. For example, the ACCC considers that the number of inventory listings provides an indication of how successful a classifieds platform has been in attracting sellers to list vehicles on that platform, which is an important determinant of the platform's ability to attract audience and ultimately revenue. However due to dealers and private sellers often listing a vehicle on more than one platform (multi-homing), and syndication arrangements between some platforms and Facebook Marketplace, there can be significant inventory overlap between the platforms.

- 2.11. Audience share gives sellers an indication of the ability of a platform to attract potential buyers. However, accurately measuring audience share can be difficult because of duplication of audience (buyers often search for cars across multiple platforms), obtaining reliable data for both website and mobile app use, and the inclusion of views/visits to non-automotive classified listings and editorial content in audience numbers.
- 2.12. Similarly, while revenue shares provide an indication of the relative success of each platform in converting its audience share into paid advertising, platforms have different business models. Some do not charge some classes of sellers for listings. Others have a model whereby listings can be posted for free but sellers have the option to add a paid feature package to promote their listing. Revenue shares may therefore underestimate the relative strength of competitors with a free to list business model. Further, some platforms primarily receive revenue from display advertising rather than directly from classified services.
- 2.13. Accordingly, to obtain a balanced view, the ACCC proposes to take into account a variety of different market concentration measures to estimate comparable market shares.

The ACCC seeks further submissions about the most relevant metric(s) to measure the market shares of Gumtree, Cox Media and their competitors in the market(s) for the supply of online automotive classifieds.

- 2.14. The ACCC has also sought additional information and data from the major platforms about their inventories, audiences and revenues to assist in assessing these market share measures.

Competition assessment

Online automotive classified advertising

- 2.15. Gumtree submits that the proposed acquisition will not substantially lessen competition in any relevant market for the supply of online automotive classified advertising because:
- Gumtree and Carsguide/AutoTrader are not close competitors in that they compete primarily in separate markets and have different business models. Carsguide/AutoTrader focuses on supplying dealers, whereas Gumtree focuses on the private sellers. For example, Gumtree submits that Carsguide/AutoTrader account for less than 3 per cent of private listings
 - Gumtree and Carsguide/AutoTrader account for a relatively small share of total online automotive classified advertising revenue
 - Carsales is the dominant supplier in relation to the supply of automotive classified advertising to both dealers and private sellers, and will impose a very strong constraint on the merged entity. In addition, Facebook Marketplace is a rapidly growing key competitor that will also impose a competitive constraint on the merged entity
 - there is a very real threat of further entry, including from established players in other jurisdictions, and
 - multi-homing by advertisers and potential buyers means that the cost of switching away from the merged entity will be very low.

- 2.16. Gumtree also submits that the proposed acquisition will increase competition in the market by creating a strong competitor to market leader Carsales. In this respect, Gumtree submits that the market for the supply of online automotive classified services is dominated by Carsales, and that many dealers are dissatisfied with Carsales' high prices but feel that they have no viable alternative and cannot switch away from Carsales. Carsales, while acknowledging it has a market-leading position, disputes that it has the dominant position set out in Gumtree's application.
- 2.17. Most stakeholders who provided submissions or were contacted by the ACCC do not have concerns about the proposed acquisition. Most dealers, and their representatives, consider Carsales to be a "must have" automotive classified platform for selling vehicles, except in respect of low value used cars or in non-metropolitan areas. The ACCC's market inquiries indicate that, generally, dealers will list vehicles for sale on Carsales and decide what, if any, other platforms to also list the vehicle on. Dealers are generally of the view that, post-acquisition, there is the potential that Gumtree may be a viable alternative to Carsales. However, market participants' views on this issue have generally been qualified. Stakeholders have generally expressed the view that Carsales' position in the market is such that the merged entity may still not significantly constrain it.
- 2.18. In contrast, some competitors of Gumtree and Carsguide/AutoTrader have raised concerns that the proposed acquisition, by bringing together two of the larger suppliers of online automotive classified advertising, will reduce competition to supply these services.

Dealer listings

- 2.19. The ACCC considers that there is significant competition between Gumtree and Carsguide/AutoTrader, particularly for dealer listings, as well as audience.
- 2.20. Both Gumtree and Carsguide/AutoTrader have a substantial number of dealer listings. Notwithstanding Gumtree's submission that Carsguide/AutoTrader focuses on dealer listings while Gumtree focuses on private sellers, information and data available to the ACCC, and feedback from market inquiries, suggests that Gumtree does compete for dealer listings. The ACCC considers that the proposed acquisition will remove any competition between Gumtree and Carsguide/AutoTrader for dealer listings, thereby reducing choice for dealers.
- 2.21. The ACCC considers that Carsales is likely to impose a significant competitive constraint on Gumtree post-acquisition. However, as discussed above, many dealers choose to multi-home (list vehicles on more than one platform) to maximise audience and the likelihood of selling the vehicle. Therefore, while Carsales is the primary choice for most dealers, other platforms are likely to compete against each other, especially for dealers that want to advertise on more than one platform, or as an alternative to Carsales. In this respect, the proposed acquisition will reduce the number of competitors, and limit choice for dealers, by combining two of the largest online automotive classified platforms in an already concentrated market.
- 2.22. However, the ACCC also considers that the proposed acquisition potentially could create a more vigorous and effective competitor in the market for the supply of online automotive classified services to dealers. In this respect, online classified advertising is characterised as a two-sided market with significant network effects. This means that platforms become more valuable to users (both sellers and buyers) the greater the number of users on the other side of the platform. Therefore, an immediate increase in users (such as sellers) for Gumtree post-acquisition may be expected to lead to further growth in buyers, and in turn sellers, for its platform. This would likely

place greater competitive pressure on other platforms to compete to acquire and retain sellers and buyers.

- 2.23. Therefore, the ACCC considers that there is likely to be both potential competitive losses and potential gains from the proposed acquisition. The ACCC is weighing the extent to which the proposed acquisition may enhance competition in the market for the supply of online automotive classified services by creating a more vigorous and effective competitor against the loss of competition between Gumtree and Carsguide/AutoTrader. The ACCC invites further submissions about this issue.
- 2.24. The ACCC is also considering the extent of the competitive constraint imposed by Facebook Marketplace. Information provided by the merger parties and obtained through the ACCC's market inquiries indicates that Facebook Marketplace has an inventory of dealer listings, and a presence in the market, that would likely impose a degree of competitive constraint on Gumtree post-acquisition. These listings come primarily from two sources: syndication of listings on other classified platforms (including Carsguide/AutoTrader), and listings posted by businesses that specialise in providing automotive software and/or inventory listing and management services to dealers. Given this model, the ACCC is considering the extent to which Facebook Marketplace represents an additional distribution channel for listings on other sites and/or competes directly with other sites for listings. The ACCC invites further submissions about this issue.

Private listings

- 2.25. The information and data currently available to the ACCC from both the Applicant and interested parties supports the Applicant's contention that Carsguide/AutoTrader has a minimal presence in private listings relative to the other major online automotive classified advertising sites, including Gumtree. As such, the ACCC's preliminary view is that competition to supply online classified advertising services to private sellers is unlikely to be significantly reduced by the proposed acquisition. The aggregation of private listing will be minimal and the major options open to private sellers, Carsales, Gumtree and Facebook Marketplace as well as options to use smaller suppliers, other than Carsguide/AutoTrader acting independently of Gumtree, will remain largely unchanged.

The ACCC seeks further submissions regarding the extent:

1. of any likely reduction in competition resulting from the loss of Carsguide/AutoTrader as an independent competitor and how this may manifest for sellers and buyers.
2. to which the proposed acquisition will enhance competition in the market for the supply of online automotive classified services by creating a more vigorous and effective competitor than Gumtree and Carsguide/AutoTrader acting independently.
3. to which Facebook Marketplace competes with other online automotive classified platforms for dealer listings and the competitive constraint Facebook Marketplace is likely to impose on the merged entity.

Online display advertising on automotive classified platforms

- 2.26. Gumtree submits that display advertising on the Gumtree and Carsguide/AutoTrader platforms relate to a much wider range of goods and services than just automotive, with the placement of advertisements driven by the preferences and usage patterns

of the individual site-users (through the use of cookies, browser history, and other user data), as much as the content of the platforms themselves.

- 2.27. Gumtree submits that the merger parties have a negligible share of display advertising within Australia and that any aggregation between them as a result of the proposed acquisition is minimal.
- 2.28. The ACCC's market inquiries indicate that the main acquirers of display advertising on automotive content and classified platforms are car manufacturers, insurers, financiers and other advertisers advertising automotive related goods and services.
- 2.29. Online automotive display advertisers may have a strong desire to advertise on online automotive classifieds platforms, such as Carsales, Carsguide/AutoTrader and Drive. Advertisers may choose to focus their advertisements on these platforms as distinct from other platforms in order to better reach a target audience of car buyers.
- 2.30. The ACCC is considering the likely impact of the proposed acquisition on competition to supply online display advertising on automotive classified platforms in this context.
- 2.31. Competition between Gumtree and Carsguide/AutoTrader to supply display advertising will be lost as a result of the proposed acquisition. However, the ACCC's preliminary view is that other online automotive classified platforms such as Carsales, Facebook Marketplace and Drive are likely to continue to impose a significant competitive constraint on Gumtree post-acquisition. Further, there is likely to be significant constraint from other sources of display advertising, such as Google.
- 2.32. The ACCC also considers that Gumtree and Carsguide/AutoTrader differ in respect of their display advertising offer as Gumtree is purely a classified platform whereas Carsguide/AutoTrader also offers a range of automotive editorial content. However, these different offerings are unlikely to be lost post-acquisition as the success of the combined platforms, both in respect of classified and display advertising, is likely to be best served by maintaining both strong classified and editorial content.

The ACCC seeks further submissions about the extent to which other online automotive classified platforms, or other forms of online display advertising, are likely to impose a significant competitive constraint on Gumtree post-acquisition.

Links between Cox Media and other Cox Automotive businesses

- 2.33. As set out above, Cox Media (Carsguide/AutoTrader) is currently one of three divisions of Cox Automotive. One of the other Divisions of Cox Automotive, which is not part of the proposed acquisition, is the Cox Automotive Retail Solutions division run via Dealer Solutions Pty Ltd (Dealer Solutions) which offers dealer platforms and services.
- 2.34. All dealer listings on Carsguide and AutoTrader are currently received through Dealer Solutions. That is, Dealer Solutions acts as a conduit for publishing listings on Carsguide and AutoTrader. Cox Media has direct agreements with all the dealers that list on Carsguide/AutoTrader that specify the applicable listing fees for the dealer.
- 2.35. Services offered by Dealer Solutions to dealers include:
 - Dealer Management System (**DMS**): including car history reports, an accounting system, an invoicing facility and cost calculation features.

- Data aggregation and publication: Dealer Solutions will pull inventory data from a dealer's DMS and 'purify' it so that it is in a form that is able to be listed onto an online automotive classified platform. Dealer Solutions will then publish the listing onto the Carsguide/AutoTrader platforms, and send it to third party platforms for publication.
 - Lead Management System (**LMS**): captures leads from multiple online advertising sources and allows dealer advertisers to manage them on the system through a number of features.
 - Marketing services: digital marketing, website and photography services, and managing Facebook campaigns.
- 2.36. Some other businesses that operate automotive classified platforms also operate businesses that offer similar services to those of Dealer Solutions. For example, Carsales operates DataMotive, which provides a range of services to dealers including data aggregation and an LMS and also provides publishing services to Carsales. Gumtree does not provide equivalent services.
- 2.37. Concerns have been raised through the ACCC's market inquires process about two aspects of the operation of 'vertically integrated' businesses that offer dealers both online automotive classified advertising services and other services such as those noted above.
- In managing dealers' inventory of listings Dealer Solutions could favour the Carsguide/AutoTrader (and post-acquisition, Gumtree) platform over platforms operated by third parties. This could potentially include refusing to send listings from its dealer customers to third party platforms at all, or requiring a third party platform to agree to restrictions on how it, or its related businesses that provide other services to dealers, will compete with Dealer Solutions and/or Carsguide/AutoTrader (and post-acquisition, Gumtree).
 - While Dealer Solutions currently provides publishing services to Carsguide/AutoTrader, post-acquisition Gumtree may enter into an agreement with Dealer Solutions to provide publishing services to the merged entity, foreclosing opportunities for other publishers to compete to supply these services to Gumtree.
- 2.38. The ACCC notes that post-acquisition there would be no direct corporate relationship between Gumtree and Dealer Solutions. This would appear to reduce the incentives to engage in this type of conduct.
- 2.39. However, post-acquisition Gumtree will have access to a larger inventory of vehicles making it a more attractive platform for both sellers and buyers. This would mean that the likelihood of Dealer Solutions' dealer customers switching to another data aggregator if Dealer Solutions refused to list their vehicles on some other platforms would be reduced.
- 2.40. Similarly, the larger inventory of the merged entity is likely to mean that if such conduct were to be engaged in, Gumtree would have greater ability to foreclose third party online classified sites and/or publishers or data aggregators.

The ACCC seeks further submissions about these vertical issues relating to Dealer Solutions.

Public benefits

- 2.41. The main public benefits that Gumtree submits the proposed acquisition will achieve are primarily as a result of the expansion in the inventory available through a single site and network effects realised by combining Gumtree and Carsguide/AutoTrader's inventories, which it submits will create a stronger automotive classifieds platform that is better able to connect vehicle sellers and buyers and impose a stronger competitive constraint on Carsales. The ACCC considers that, to the extent that these outcomes are realised, they are a product of increased competition and as such, are considered in the ACCC's preliminary views about the impact on competition of the proposed acquisition as discussed above.
- 2.42. Additionally, Gumtree submits that the proposed acquisition will result in public benefits including:
- enabling lower risk investment in improving its product offering and experience
 - efficiencies and synergies that will be reinvested into the business to promote further growth, and
 - lower search costs for consumers.
- 2.43. Carsales has submitted that it is unclear whether, or the extent to which, any of Gumtree's claimed potential public benefits are transaction specific. Specifically, Carsales submits that the proposed acquisition is not required for Gumtree to implement competitive responses to Carsales or to create a more effective platform, and that any benefits from cross-listing could be achieved through the implementation of a syndication arrangement. Carsales also states that it is not clear whether Gumtree's claimed cost and revenue synergies would be passed through to consumers, thereby reducing the weight that this potential benefit should be accorded.
- 2.44. Based on the information currently available, the ACCC's preliminary view is that it is not clear that the proposed acquisition is necessary to enable investment in product developments and innovation of the type contemplated by Gumtree. That is, the ACCC's preliminary view is that it is not clear that such investment would not occur absent the proposed acquisition.
- 2.45. However, the ACCC's preliminary view is that the proposed acquisition is likely to result in some cost savings and synergies for the merged entity which, if realised, would constitute a public benefit.
- 2.46. The ACCC also considers that the proposed acquisition, by combining the inventory of Gumtree and Carsguide/AutoTrader on a single platform, may reduce search costs for consumers. The significance of the reduction in search costs depends, amongst other things, on the extent of duplication in their current inventories (the greater the duplication, the smaller the reduction in search costs) and how extensive the inventories of other, individual sites are (the greater the coverage of other, individual platforms the less benefit, in terms of reduced search costs, consumers are likely to derive from consolidating Gumtree and Carsguide/AutoTrader's inventory onto a single site).
- 2.47. The ACCC is continuing to examine these questions.