



Carsales.com Limited

Submission to the ACCC regarding Gumtree's Proposed Acquisition of Cox Australia Media Solutions

1 Carsales.com Limited (**Carsales**) refers to the Australian Competition and Consumer Commission's (**ACCC**) letter of 17 January 2020 to interested parties in respect of the application by Gumtree AU Pty Limited (**Gumtree**) for merger authorisation (the **Application**) of its proposed acquisition of Cox Australia Media Solutions Pty Limited (**CAMS**)¹ (the **Proposed Acquisition**).

2 Carsales thanks the ACCC for the invitation to comment on the Proposed Acquisition.

3 In the limited time available, Carsales has sought to respond in this submission to what it regards as the key points in Gumtree's detailed Application. Carsales would be pleased to provide any additional information that would assist the ACCC.

4 This submission is structured as follows:

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Executive summary

5 Carsales has significant concerns regarding the way in which the Application characterises competitive dynamics in the online automotive listings industries, the relative competitive strengths of key competitors, and the likely impact of the Proposed Acquisition on competition.

6 Carsales submits that the Application:

- significantly understates the current and potential competitive strength of Gumtree/eBay;

¹ Gumtree is owned by Ebay Inc. (**eBay**) and CAMS operates the online platforms Carsguide.com.au (**Carsguide**) and Autotrader.com.au (**Autotrader**). Collectively, Carsales refers to Gumtree/eBay and CAMS (including Carsguide and Autotrader as the case may be) as the '**parties**' in this submission.

- wrongly and without proper foundation characterises Carsales as dominant; and
- overstates the extent of the complementarity between Gumtree and Carsguide/Autotrader, which compete relatively closely in several respects.

7 While there are looming threats of disruption to the industry, the Proposed Acquisition would result in a reduction in the number of major automotive listings businesses competing in Australia from three-to-two – the remaining competitors are either meaningfully differentiated and less directly competitive (Facebook) or greatly diminished and diminishing competitive forces (Drive and Trading Post). In so doing, the Proposed Acquisition would remove meaningful competition between Gumtree and Carsguide/Autotrader to become the second-placed player behind Carsales. For ‘multi-homing’ dealers that value listing on both Carsales and one other platform, that loss of competition is likely to be substantial.

8 The Application’s suggestion that new entry is likely is largely speculative and the public benefits claimed as likely to outweigh any lessening of competition mostly amount to ways in which the Proposed Acquisition would strengthen the merged firm and enhance its profitability. The suggestion that the Proposed Acquisition is necessary to enable investments in product improvements, brand equity and new user generation is implausible given the enormous scale and capabilities of the global eBay group.

Confidentiality

9 The parts of this submission marked ‘**confidential**’ and highlighted in grey are confidential and commercially sensitive to Carsales. Carsales requests that those parts of the submission be withheld from the public register and that the ACCC does not disclose any confidential information to any third party, subject to the following:

- there is no restriction on the internal use, including future use, that the ACCC may make of the confidential information consistent with the ACCC’s statutory functions;
- confidential information may be disclosed to the ACCC’s external advisors and consultants on the condition that each such advisor or consultant will be informed of the obligation to treat the information as confidential; and
- the ACCC may disclose the confidential information to third parties (in addition to its external advisors or consultants) if compelled by law or in accordance with section 89(7) or section 155AAA of the *Competition & Consumer Act 2010*.

10 Carsales has provided both a confidential version and a public version of this submission with the confidential information redacted.

Overview of Carsales

11 Carsales (ASX: CAR) was established in 1997 and is a digital automotive, motorcycle and marine listings business based in Melbourne. Carsales owns or operates

automotive listings businesses in Australia, Brazil, South Korea, Mexico, Chile and Argentina.

- 12 Carsales is one of Australia's leading digital businesses and technology company exports. It invests heavily to compete effectively against current and potential competitive threats from major global platforms, including Facebook, eBay, Google and Amazon, and strong domestic competitors.²
- 13 In Australia, Carsales provides a range of digital listings services across a network of sites to dealers, consumers and corporate customers. It also offers other value-added services such as software services, specification data, vehicle news and reviews, stocking and pricing tools for dealers, data and insights, finance, inspections, warranty and tyre products.
- 14 Carsales supplies digital listings relating to cars, motorcycles, trucks, caravans and boats. As illustrated in Figure 1 below, the Carsales network of websites includes *carsales.com.au*, *motoring.com.au*, *bikesales.com.au*, *boatsales.com.au*, *RedBook.com.au* as well as other caravan, truck and machinery listings websites.³

Figure 1 – Carsales' Australian network of sites



Gumtree's claimed decline

- 15 The Application relies heavily on a claim that Gumtree's automotive business is in steady decline and the Proposed Acquisition is necessary for it to compete effectively. Gumtree's claimed decline is relied upon:
- as a key part of Gumtree's commercial rationale for the Proposed Acquisition, which includes creating a stronger automotive presence for Gumtree, creating positive network effects, increasing the attractiveness of the platform and supporting product improvements;⁴
 - as the basis for a submission that the counterfactual will be less competitive than the post-transaction world, as Gumtree finds it increasingly difficult to compete;⁵

² See paragraphs [48] and [52] below.

³ <http://shareholder.carsales.com.au/Investor-Centre/>; see also Carsales, Annual Report 2019, page 5.

⁴ Application, page 9.

⁵ Application, page 12.

- apparently, to argue that recent declines in its revenue and listings performance are permanent and likely to continue so as to minimise market share calculations and the significance of the overlaps with CAMS (Carsales is unable to test this proposition because all relevant Gumtree performance data is redacted from the Application),⁶ and
- as the basis for many of the public benefits of the Proposed Acquisition claimed by Gumtree, including that it would “enable” Gumtree to invest in improved product and service offerings.⁷

16 Carsales does not accept that Gumtree’s platform is in any sustained or irreversible decline and submits that that proposition requires thorough testing.

Basis for Gumtree’s claimed decline

17 Gumtree states that its platform is declining by reference to the following key business metrics:

- dealer and private advertiser listings (or ‘inventory’); and
- audience reach, measured by page impressions/views.⁸

18 Carsales comments on each in the following paragraphs.

19 First, Gumtree states that it has experienced a steady decline in its inventory and that its private advertiser listings have declined in recent times.⁹ However, a decline in inventory is not necessarily evidence of a declining online automotive listings business. Short-term declines in inventory can be due to a range of factors. For example, Carsales understands that Gumtree’s inventory has historically been quite ‘dirty’ (that is, it included a relatively high proportion of stale, non-genuine and duplicated listings). In 2012, Carsales conducted an analysis of Gumtree’s publicly available inventory, which found [Confidential] [REDACTED]

- [Confidential] [REDACTED]
- [Confidential] [REDACTED] and
- [Confidential] [REDACTED]¹⁰

20 If Gumtree had recently engaged in efforts to ‘clean’ its inventory, Gumtree’s total inventory figures would show a (potentially significant) decline, but that would not be

⁶ Application, pages 59-60 and elsewhere.

⁷ Application, pages 13-14.

⁸ Application, page 8.

⁹ Application, pages 8-9.

¹⁰ [Confidential] [REDACTED]

evidence of any systemic or substantive decline in its business. To the contrary, those efforts would create a better, more effective user experience for buyers and sellers.

21 Total inventory may also decline as a result of a platform becoming more effective and cars being sold, and removed from the platform, more quickly. The measure of how quickly inventory is sold is often referred to as listing 'velocity'. To the extent that improvements to Gumtree's automotive listings sites have resulted in increased velocity, that may have the effect of decreasing Gumtree's static inventory numbers, but would not indicate a systemic decline in its business. Again, to the contrary, it would suggest that Gumtree is becoming a stronger competitor. Velocity is not reported publicly by any platform, but Carsales estimates that Gumtree's velocity is around [Confidential] [REDACTED]¹¹

22 Total listings numbers can also decline as a result of a lack of sustained investment in, and commitment to, a customer channel. Carsales observed that Gumtree was focused on its dealer business between 2015-2018, and grew its dealer business to approximately 65-66,000 listings during that period, but appears to have lessened its focus on that customer segment in recent years. Information about recent declines in Gumtree's marketing investment is provided in paragraphs 48-51 below.

23 Second, Gumtree's submissions regarding the decline in its audience reach appear to be overstated. The Application states that the estimated page impressions for Gumtree Cars and the estimated time spent on Gumtree Cars have both fallen recently.¹² Carsales does not consider that these submissions are supported by the available data or, in any case, that they support the proposition that Gumtree's business is in decline.¹³

24 In calendar year 2019, Gumtree's page views across all Gumtree's websites and mobile apps [Confidential] [REDACTED] However, by way of comparison, in the same period Carsales' page views on websites and mobile apps [Confidential] [REDACTED] and there was a [Confidential] [REDACTED]
[REDACTED]¹⁴

25 Further, Table 1 below sets out the average time spent on Gumtree Cars in calendar year 2019.¹⁵ [Confidential] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

¹¹ [Confidential] [REDACTED]
[REDACTED]

¹² Application, page 9.

¹³ Carsales notes that there is significant seasonality in automotive listing activity. As such, when analysing listings or audience data, it is important to benchmark against competitors or to use time series data across longer time periods.

¹⁴ DCR data (Daily Content Rating data, provided by Nielsen).

¹⁵ DCR data (Daily Content Rating data, provided by Nielsen).

Table 1 – Gumtree users’ average time on site and market average (2019) [Confidential]

Month	Time on site Gumtree	Market average
Jan-19		
Feb-19		
Mar-19		
Apr-19		
May-19		
Jun-19		
Jul-19		
Aug-19		
Sep-19		
Oct-19		
Nov-19		
Dec-19		

- 26 Gumtree’s submissions regarding the decline in its page impressions (referred to in paragraph 17 above) do not take into account market trends affecting all suppliers of automotive listings in Australia, in line with macroeconomic trends affecting the automotive sector.
- 27 All suppliers of automotive listings are currently facing a challenging retail environment. Page views and impressions represent consumers searching for and viewing automotive listings when they are searching for a new car and, in general terms, they are a measure of market confidence. When consumer confidence is high, sales volumes, site and app visitation and page views also tend to increase proportionately. Additionally, a static measurement of page impressions or views, without time series data and without figures for comparable market players, is a very poor basis on which to draw inferences about the relative strength of a competitor.¹⁶
- 28 When Gumtree’s performance is viewed in its market context, over a longer period and against relevant competitors, there is no strong support for the proposition that its automotive listings business is in decline.

¹⁶ It is also unclear why the Application’s time series data on page impressions is presented over the period October 2018 to September 2019, while other measures of a similar type are presented over the period between October 2018 and January 2019.

Submissions regarding 'enabling' Gumtree investment

29 Given eBay's global scale, and its investments in automotive listings businesses in other markets, the proposition that the Proposed Acquisition is necessary in order to enable investment in product and service improvements is implausible.

30 eBay is one of the largest global digital platform businesses in the world and the industry leader in online listings. Information on the scale of eBay and Gumtree is provided in paragraphs 74-77 below. However, the proposition that eBay/Gumtree would be unable to make investments in product and service offerings without the Proposed Acquisition appears wrong on its face. To use a simple illustration, according to its statutory filings, eBay's expenditure on product development was US\$313 million (approximately A\$466 million) in the quarter to 31 September 2019 or approximately A\$1.86 billion on an annualised basis.¹⁷ In contrast, as discussed in paragraph 52 below, Carsales' total capital expenditure in FY19 was [Confidential]

31 In terms of eBay/Gumtree's commercial appetite to make specific investments in its Australian businesses, while Carsales does not have visibility of eBay/Gumtree's global strategy, its commitment to growing its Australian automotive business is clear from its public statements.

32 Gumtree launched Gumtree Cars in 2017. At that time, Gumtree Cars generated around 170,000 new and used car listings. Gumtree Cars was part of a broad ranging investment in Gumtree's general classified advertising site that included improved search functionality and speed, enhanced photo attachment capability, increased payment choices and smart category redirects for certain keywords.¹⁸ In the intervening period, Gumtree has made several public statements regarding its commitment to grow its Australian automotive listings business. For instance, in April 2019, Gumtree's Australian CEO, Martin Herbst, stated that Gumtree was investing heavily in the automotive market segment, and said that *"we have more used cars than the Carsales website, but people don't realise how big our supply and inventory is."*¹⁹ At the same time, Gumtree's Head of Marketing, Amanda Behre, saw *"lots of opportunity to get audiences engaging in another category"* and said that Gumtree was *"looking to engage with the dealer levels as well with a ramped up sales team, to offer broader car sales strategies."*²⁰

33 As part of a substantial suite of pre-transaction investments in March 2019, Gumtree:

- rolled out a series of commercial and technical upgrades to support its growth in the automotive listings business;

¹⁷ eBay, 10-Q filing with US Securities & Exchange Commission for quarter ended 30 September 2019, page 37. eBay's quarterly 'Product Development' expenditure of US\$313 million was said to be *"net of required capitalization of major platform and other product development efforts, including the development and maintenance of our technology platform. Our top technology priorities include payment intermediation capabilities and improved seller tools and buyer experiences built on a foundation of structured data and leveraging artificial intelligence and computer vision."* Uses exchange rate of 1 USD = 1.49 AUD.

¹⁸ See <https://premium.goauto.com.au/gumtree-drives-cars/>.

¹⁹ See <https://www.cmo.com.au/article/659396/how-gumtree-plans-being-number-one-motors-marketplace-australia/>.

²⁰ Ibid.

- invested in additional consumer research, marketing campaigns and data management platforms;
- implemented dealer-focused updates including providing integrated car records reports, call tracking, better premium ads and various sales packages for dealers; and
- hired a senior key account manager for the dealer market segment.²¹

34 These investments have generated increasing awareness of Gumtree as a competitor in the supply of vehicle listings services in Australia. [Confidential] [REDACTED]

[REDACTED]

35 Finally, Carsales notes that, its 2019 review of the acquisition by eBay Inc. of *Motors.co.uk (eBay/Motors)*, the UK Competition & Markets Authority (CMA) found that eBay's internal documents showed that it had a clear commitment to develop its automotive listings business and had already successfully developed its automotive listing business in a number of other countries including South Africa, Canada and Germany.²⁴

Allegations regarding Carsales' market power

36 The Application focuses heavily on the alleged 'dominance' of Carsales. Gumtree claims that:

- Carsales' 'dominance' makes it the strongest constraint on the combined entity pre- and post-transaction;²⁵
- in the counterfactual, Gumtree's prospects of growth in the dealer market segment and becoming an effective challenger to Carsales are limited due to Carsales' 'dominance' and that this is likely to lead to reduced competition and consumer choice;²⁶ and
- a key public benefit resulting from the Proposed Acquisition is enhanced competition that arises from the creation of a 'real' alternative to Carsales, which will stimulate competitive responses.²⁷

²¹ Ibid.

²² A measure of the number of people who express knowledge of a brand or product without prompting (also known as brand recall). See, e.g., <https://www.surveymonkey.com/mp/unaided-vs-aided-brand-awareness-survey-questions/>.

²³ Internal research commissioned by Carsales from an external agency as part of its regular brand health survey.

²⁴ *eBay/Motors*, [22]-[24].

²⁵ Application, pages 11 and 65.

²⁶ Application, page 79.

²⁷ Application, page 85.

37 Carsales does not dispute that it currently enjoys a position of market leadership in online automotive listings. That market position is a product of ~23 years of sustained investment and innovation to provide value to private sellers and dealers.

38 However, Carsales rejects the suggestion that it possesses substantial market power and submits that the Application consistently overstates its market position.

Market shares and relative strength measurement

39 The Application's emphasis on market shares by revenue²⁸ is misconceived and gives a distorted impression. Market shares by revenue are an unreliable indicator of market strength in that they fail to account for differences in growth phases and revenue models. It is common in a range of digital markets for some competitors to focus on aggressively growing audience and engagement before seeking to monetise a platform.

40 In *eBay/Motors*, the CMA found that, due to the market leader (Autotrader) being a significantly more expensive option for dealers than other platforms including the transaction parties in that matter, market shares by revenue would be likely to provide only limited insight into competitive conditions.²⁹ Specifically, the CMA found that, because of the differences in business model and pricing between market players, revenue-based market shares could have: (i) understated the competitive constraint that the transaction parties imposed on one another pre-transaction; and (ii) overstated the competitive constraint that the parties would face from Autotrader post-transaction.³⁰

41 With respect to the Proposed Acquisition, as noted in the Application, Gumtree, Carsguide, Autotrader and Facebook offer free basic private listings. Carsales is one of the only market players that has a predominantly paid revenue model. Because of those differences in revenue model, it is entirely unsurprising and reveals little about competitive dynamics that Carsales has a large market share by revenue.

42 Market shares by listings or volume are a more reliable and insightful measure of market position. However, even using market shares by listings, it remains important to control for potentially manipulable variables of the sort discussed in paragraphs 19-22 above. Carsales rejects Gumtree's suggestion that, because its revenue model is focused on lead generation, it may have weaker incentives to grow its inventory.³¹ Inventory is key metric tracked by Carsales and important to any platform's ability to attract its audience and engagement and generate leads.

43 The Application also exaggerates Carsales' scale and market share by revenue by using aggregate revenue figures that include irrelevant revenues from overseas and non-listings businesses. The revenue figures used in the Application's market share calculations include some dealer services revenue that is unrelated to automotive

²⁸ Application, page 66.

²⁹ *eBay/Motors*, [22]-[24].

³⁰ *eBay/Motors*, [48].

³¹ Application, page 66.

listings.³² Similarly, almost two-thirds of the total Carsales revenue figures referenced in the Application are not attributable to Carsales' dealer classified revenue; the figure includes revenue generated by Carsales' overseas businesses, and non-listing businesses including Tyresales, Redbook and Stratton Finance and private seller business.³³

44 Carsales considers that the Application focuses on market share sources, particularly Similarweb data, that are of lower accuracy and reliability. Carsales prefers DCR data (Daily Content Rating data, provided by Nielsen), which is a widely accepted and used measure by industry participants. DCR data includes app and mobile site audience reach, whereas Similarweb and some other datasets use desktop/website audience reach data only, and exclude apps and mobile site usage. This is important because consumers are increasingly migrating to mobile device and app usage to search for vehicles. Any decline in audience reach shown using Similarweb data, for example, would not address the important shift in device usage, and may overstate declines in audience reach.

45 For similar reasons, Carsales also disagrees with the conclusion in the RBB Report annexed to the Application that page impressions are a particularly useful way to measure relative strength. Page impressions can also be unreliable because the format of websites differs and may impact the number of page views/impressions required to perform a given task. To illustrate, a website that is structured to show users five vehicles on the first results page requires two page impressions to show a user ten vehicles, while a website that shows users ten vehicles on the first results page requires only one page impression to do so. Enhanced user functionality, such as the ability to filter results to a greater or less extent, also influences the number of page impressions.

Carsales' revenue and growth

46 The Application suggests that Carsales' revenue growth evidences, and is a product of, its 'dominance'. For the reasons outlined below, that is incorrect – Carsales' revenue growth has been moderate and is not reflective of supra-competitive margins.

47 The Application identifies that, in the seven-year period between FY12 and FY19, Carsales revenues increased from A\$184.2m to \$417.5m and NPAT increased from A\$71.6m to A\$131.4m.³⁴ As noted in paragraph 43 above, those figures include substantial revenues from Carsales' overseas and non-listings businesses and inorganic growth through acquisitions. Carsales' overseas and non-listings business have also grown faster than its Australian listings business – for example, Carsales' Asian business unit grew 119% between FY18 and FY19.³⁵ As such, the growth in Carsales' total revenues is irrelevant to the allegations made in the Application about Carsales' market power in its core listings business. [Confidential] [REDACTED]

³² Application, page 67.

³³ Application, page 36.

³⁴ Application, page 36.

³⁵ Carsales, Annual Report, page 9.

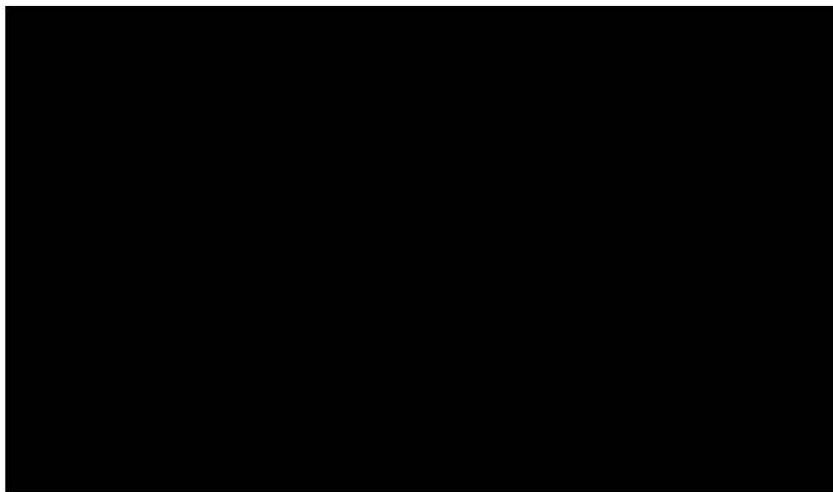
[REDACTED]
[REDACTED] In any event, those figures reflect a slower growth in profit than in revenue. Similarly, over the five-year period FY15 to FY19, Carsales' profit increased at a slower rate (8% compound annual growth rate (CAGR)) than revenues (13% CAGR) – reflecting solid growth in the popularity of Carsales' platform but also increasing costs/investment and moderate margin/profit growth.³⁶

48 Carsales' market leading position is the result of substantial and sustained investment and focus, including on its technology and user experience, the safety and security of its platform, and a world class sales force.

49 Carsales invests heavily in marketing and brand recognition. For example, Carsales' marketing spend has been consistent over time, which supports its substantial brand recognition and generates consumer and dealer visitation. Carsales estimates that in total over the last 12 months it spent [Confidential] [REDACTED] on advertising across all channels.³⁷

50 [Confidential] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Figure 2 – Gumtree's marketing spend (all channels) (\$'000s, 2018-2019)³⁸ [Confidential]



51 By way of further example, in calendar year 2019, of Carsales total page visits, an average of [Confidential] [REDACTED]

[REDACTED]
[REDACTED]

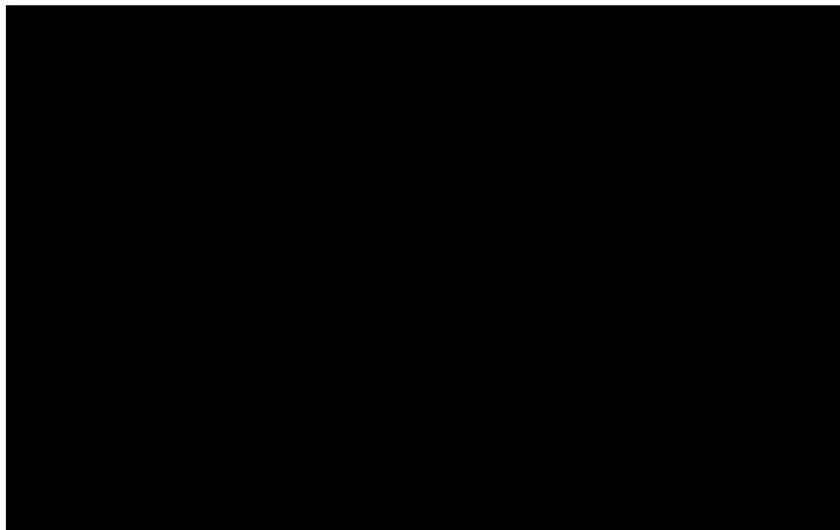
³⁶ Carsales Annual Report 2019, page 8.

³⁷ TV (metropolitan and regional), radio (metropolitan), digital advertising (e.g. paid search advertising) and outdoor advertising.

³⁸ [Confidential] [REDACTED]
[REDACTED]

52 [REDACTED]
 Carsales also makes substantial investments in its sales and customer support infrastructure [Confidential], [REDACTED] [REDACTED] to support the growth in its business. As shown in Figure 3 below, over the past five financial years (including this financial year), Carsales' capital expenditure has [Confidential] [REDACTED] to support its position of market leadership, generating the revenue growth in the dealer and private seller market segments outlined above.

Figure 3 – Carsales' capex (\$m) FY16-FY20F [Confidential]



53 Carsales' moderate profit growth and its sustained and substantial investment in marketing, innovation, safety and security, and sales and support infrastructure is clearly not reflective of the behaviour of a complacent 'dominant' firm.

Pricing

54 Gumtree also claims that Carsales' pricing demonstrates that it has been able to maintain and grow its position "seemingly unfettered" and is evidence of Carsales' 'dominance'.³⁹ This is incorrect.

55 First, Carsales' pricing is comparable with, or lower than, international comparators. Carsales has benchmarked its pricing to the pricing of Autotrader UK. Autotrader UK's market position is similar to Carsales' market position in Australia⁴⁰ – noting that the CMA found that the UK market was competitive in *eBay/Motors*.⁴¹ If Carsales were able to price supra-competitively due to its 'dominance' in Australia, its pricing should be expected to be significantly higher than Autotrader UK's, which

³⁹ Application, page 87.

⁴⁰ The CMA found that Autotrader UK's share in the supply of automotive classified advertising across the private seller and dealer segments was around 70-80% by revenue and around 30-40% by number of dealers and unique visitors (at [47]).

⁴¹ *eBay/Motors*, [102].

operates in a competitive market. That is not the case. [Confidential] [REDACTED]
 [REDACTED]
 [REDACTED]

Table 2 – Carsales’ and Autotrader UK - revenue per dealer per year (FY 2019) [Confidential]

	Autotrader UK	Carsales
No. of dealers	[REDACTED]	[REDACTED]
FY 2019 revenue (\$m) ⁴²	[REDACTED]	[REDACTED]
Revenue per dealer p.a. (\$)	[REDACTED]	[REDACTED]
Difference	[REDACTED]	[REDACTED]

56 Second, Carsales’ pricing is also proportionate to the significant audience it delivers to advertisers, including dealers. Nothing in the Application supports the view that Carsales’ pricing is indicative of market power or is otherwise supra-competitive. In particular, over time, Carsales’ price increases have been modest and proportionate to audience growth, improved lead conversion performance and additional value delivered to dealers:

- in private listings, Carsales’ price increases have been [Confidential] [REDACTED]
- in dealer listings, Carsales’ price increases for leads have been [Confidential] [REDACTED] and
- in dealer listings, Carsales’ increases in subscription fees [Confidential] [REDACTED]

57 There is no sense in which Carsales’ pricing is unconstrained by competition from other market players (even free or “freemium” operators). The Application focuses on Carsales’ introduction of no-fee arrangements for private listings <\$4,999 (implemented in two stages in 2015 and 2017), [Confidential] [REDACTED]

[REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

58 Carsales submits that [Confidential] [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

⁴² Autotrader UK revenue converted to Australian dollars at an exchange rate of 1 GBP = 1.95 AUD.

Other evidence of competitive constraint upon Carsales

59 The Application states that “neither party has to date been successful in challenging Carsales and, absent the Proposed Transaction, each are unlikely to do so in future”.⁴³

60 It is not clear what is meant by this statement. On the data presented in the Application, Gumtree has the greatest volume of private listings. Clearly, it is also not necessary for a rival to displace Carsales as the market leader in order to ‘challenge’ or constrain it.

61 **[Confidential]** [REDACTED]

62 Second, it is inaccurate to suggest that Gumtree and Carsguide/Autotrader do not impose an effective competitive constraint upon Carsales. The constraint upon Carsales is evidenced by a range of considerations, discussed elsewhere in this submission, including a proper analysis of its price/margin growth, investments in marketing, innovation and sales and customer support infrastructure, and responses to competitor activity.

63 Third, there is no basis for the suggestion that Carsales’ ability to generate leads is “unchallengeable” and no evidence is provided in support.⁴⁴ Carsales expects that Gumtree has the ability to generate high-quality leads for dealers because of the large, engaged audience of its platform. The suggestion that Carsales’ lead generation is unchallengeable is also inconsistent or in tension with other parts of the Application, including the submissions that:

- Facebook enhances the value of CAMS’ offering to dealers by increasing the number of leads to dealers;⁴⁵
- the benefits of inventory syndication to a dealer advertiser include the maximisation of exposure online, improving the likelihood of leads being generated;⁴⁶
- lead generation increased on CAMS’ sites between 2018 and 2019, particularly since the entry of Autotrader, which is generating increasing numbers of leads;⁴⁷ and
- dealers view leads generated on CAMS’ sites as higher value than those generated on Carsales.⁴⁸

⁴³ Application, page 13.

⁴⁴ Application, page 26.

⁴⁵ Cornelius, [61].

⁴⁶ Application, page 35.

⁴⁷ Cornelius, [50].

⁴⁸ Cornelius, [51].

Vertical integration

64 Gumtree also alleges that the various tools and services that Carsales offers dealers and private sellers are a source of market power or impose meaningful switching costs.⁴⁹ Again, this submission is inaccurate and there is little evidence provided to support it.

65 In respect of each tool and service offered by Carsales there are competitor products offered by both listing rivals and non-vertically integrated providers, including the parties. There are at least four providers of ancillary dealer services that are active in all of the market segments identified in paragraph 66 below. Cox Automotive also owns Dealer Solutions, a dealer services offering (similar to Carsales' DataMotive offering).

66 Carsales notes that the Application suggests that the most important elements of a bundled package of services to dealers are: inventory sourcing services; data aggregation services; pricing services; lead management systems; dealer management systems; and publishing services.⁵⁰ CAMS is active in the supply of all of these services to dealers, and so is already vertically integrated to a broadly equivalent extent to Carsales.⁵¹

67 As shown in Table 3 below, Carsales' estimated share does not exceed [Confidential] [REDACTED] by revenue in any of the market segments ancillary to its core listings business.⁵²

Table 3 – Carsales' revenue and share in the supply of ancillary dealer services (FY 2019)
[Confidential]

Service	Carsales revenue (\$m)	Share
CRM and lead management systems	[REDACTED]	[REDACTED]
Inventory distribution to third parties	[REDACTED]	[REDACTED]
Photography and media services	[REDACTED]	[REDACTED]
Car sourcing: wholesale and instant offers	[REDACTED]	[REDACTED]
Appraisals, pricing analytics	[REDACTED]	[REDACTED]
Website services	[REDACTED]	[REDACTED]

⁴⁹ Application, page 39.

⁵⁰ Application, Appendix II, describes the automotive listings value chain. The automotive listings value chain refers to the set of tools and services acquired by dealer advertisers as part of the process of listing vehicles. These services are specifically identified in that Appendix and Carsales infers that the Application considers these ancillary services are the most important for dealer advertisers.

⁵¹ Whitten, [34].

⁵² Carsales' internal estimates based on publicly available information or management estimates regarding competitor pricing.

68 The Application asserts that there are “difficulties” associated with Carsales’ bundling of products and services because dealers must use AutoGate if they wish to list on Carsales’ properties.⁵³ AutoGate is a lead and inventory management product that is included in Carsales’ standard monthly dealer subscriptions and is integrated with Carsales’ listing platform to ensure that the front- and back-end systems function seamlessly. However, there are a range of rival lead management and inventory management systems that are regularly used by dealers – this is confirmed by Carsales’ [Confidential] ██████████ in lead management shown in Table 3 above. Further AutoGate can be, and often is, used by dealers to export listings to other listing platforms and [Confidential] ██████████ ██████████. In response to dealer requests, Carsales recently began facilitating leads generated on Carsales’ platform to be exported out of AutoGate and into competitor lead management systems.

Market definition

69 The Application proposes the definition of separate national markets for the supply of online automotive listings to each of dealers and private sellers. That approach is consistent with the position the ACCC took in its review of Carsales’ proposed acquisition of interests associated with the Trading Post brand (*Carsales/Trading Post*).⁵⁴ Although Carsales does not have a concluded view about the appropriate market definitions, it does not object to the definition of separate markets for dealer and private automotive listings.

70 Carsales notes that, in *eBay/Motors*, the CMA considered whether it would be appropriate to address the likely effects of that transaction in relevant markets segmented by customer groups (i.e. dealers and private sellers).⁵⁵ In that matter, the CMA did not define separate markets for dealers and private sellers on the basis that the parties and their competitors faced similar competitive constraints to attract both types of customer/advertiser.

71 With respect to the Proposed Acquisition, as is acknowledged by Gumtree, the supply of automotive listings to dealers and private sellers are very closely related. In particular:

- all competitors are active in both the dealer and private customer segments;
- all competitors use a common website and brand for their dealer and private seller listings; and
- strength and growth in either private or dealer listings benefits the overall listing business. A larger number of private listings improves traffic on the site and enhances the value proposition for dealers looking to list cars on the platform.⁵⁶

⁵³ Whiten, [55]-[57]; Application, pages 42 and 97.

⁵⁴ *Carsales/Trading Post*, at [52].

⁵⁵ *eBay/Motors*, [37]-[38].

⁵⁶ Cornelius, [27].

72 Further, Carsales considers that, for an existing competitor, growth in either market segment – i.e. dealer or private – is largely a matter of investment and focus. For those reasons, irrespective of whether separate dealer and private seller markets are defined, Carsales considers that it is also important to take a holistic view of the industry (see paragraph 86 below).

Market position of, and closeness of competition between, Gumtree and Carsguide/Autotrader

73 The Application relies heavily on the assertion that Gumtree does not compete closely with the Carsguide and Autotrader platforms.⁵⁷ Carsales submits that the Application significantly understates the market position of both Gumtree and Carsguide/Autotrader and the closeness of competition between the parties.

Gumtree

74 The Application generally seeks to characterise Gumtree as a “smaller” and less sophisticated platform that is primarily focused on private listings and cheap cars.⁵⁸ This gives a misleading impression of the scale and sophistication of eBay/Gumtree and the extent to which it operates as a major player in Australian automotive listings markets.

75 Gumtree is part of the global eBay Inc. group, listed on NASDAQ. eBay has a market capitalisation of ~US\$30bn, revenues of ~US\$11bn, ~183 million active buyers and 502 million app downloads.⁵⁹ eBay also has dedicated automotive listings businesses (generally under the eBay Motors banner) in countries around the world in which it is active. That scale affords Gumtree several important advantages that are relevant to Australian automotive listings markets:

- it has a capacity to invest in its technology and user experience, and to leverage the resulting innovation globally, that is unrivalled in the Australian market;
- it can endure short-term financial losses, that are trivial in the context of its global business, while building audience and listings; and
- it has access to an enormous dataset, both in relation to Australian and global users, that can be used to analyse user behaviour, demographics and purchase intent. That dataset and eBay’s associated data capabilities will become increasingly competitively significant in future as listings platforms focus on delivering personalised experiences and recommendations to users.

76 In relation to Gumtree’s submission that its Australian business is operated and managed independently from the global eBay group,⁶⁰ Carsales submits that the historical extent to which Gumtree has both been managed independently and has

⁵⁷ Application, pages 10 and 75.

⁵⁸ Application, pages 46 and 76.

⁵⁹ See <https://investors.ebayinc.com/fast-facts/default.aspx>.

⁶⁰ Application, page 46.

exploited the above strategic advantages, should be irrelevant to the ACCC's assessment.

77 In Australia, Gumtree already has a strong and well-established brand and a large and engaged user base that can be, and has been, leveraged into automotive listings. Gumtree is already the leading player in private listings (with 34% share⁶¹) and publicly claimed market leadership by volume between 2016-18.⁶² Gumtree Cars' homepage claims that it is "*#1 for privately listed cars.*"⁶³ It has substantial inventory – over 7,000 cars listed daily.⁶⁴ The automotive category is the second most popular category on Gumtree. On average, 150,000 Aussies visit Gumtree Cars each day.⁶⁵

78 As discussed in paragraphs 15-34 above, Carsales does not accept that Gumtree's platform is in any sustained and irreversible decline as it submits. Gumtree's growth over a sustained period has been strong and it is regarded by Carsales as a key strategic threat. **[Confidential]** [REDACTED]

⁶⁶

Carsguide/Autotrader

79 Similarly, Carsales regards CAMS, and its Carsguide and Autotrader platforms, as important competitive threats.

80 In relation to Carsguide:

- its brand is well-established and widely recognised. Commenting on the Proposed Acquisition Martin Ward, AP Eagers' CEO, noted that the Carsguide and Autotrader brands were "*formidable*".⁶⁷
- **[Confidential]** [REDACTED]
- it generates significant private listings and is the second-largest competitor for dealer listings; and
- **[Confidential]** [REDACTED]

⁶¹ Application, page 77.

⁶² See for example, <https://www.smh.com.au/business/workplace/growing-gumtree-an-enjoyable-challenge-20190416-p51euc.html>; and <https://www.cmo.com.au/article/659396/how-gumtree-plans-being-number-one-motors-marketplace-australia/>.

⁶³ See <https://www.gumtree.com.au/cars>.

⁶⁴ See <https://www.cmo.com.au/article/659396/how-gumtree-plans-being-number-one-motors-marketplace-australia/>. Over 7,000 daily cars listing figure referred to in various Gumtree television commercials played, for example, in October 2017 in Perth, Adelaide, Brisbane, Melbourne and Sydney.

⁶⁵ See <https://premium.goauto.com.au/how-gumtree-cars-plans-to-be-number-one/>.

⁶⁶ Figures based on surveys conducted by Carsales of private sellers when they remove a listing to ascertain which other listing services they used.

⁶⁷ See <https://www.afr.com/companies/media-and-marketing/ebay-s-gumtree-finalises-carsguide-acquisition-20191220-p531su>.

[REDACTED]

81 Autotrader was only launched in Australia in November 2018, but its market share and presence have grown rapidly. In recent periods, Autotrader in particular has shown strong growth by unique audience and page views. Table 4 below shows Autotrader’s growth across a number of standard metrics in 2019. [Confidential]

[REDACTED]

Table 4 – Autotrader growth by various measures (2019)⁶⁸ [Confidential]

Month	Page views (number)	Site visits (number)	Unique audience share
Jan-19	[REDACTED]	[REDACTED]	[REDACTED]
Feb-19	[REDACTED]	[REDACTED]	[REDACTED]
Mar-19	[REDACTED]	[REDACTED]	[REDACTED]
Apr-19	[REDACTED]	[REDACTED]	[REDACTED]
May-19	[REDACTED]	[REDACTED]	[REDACTED]
Jun-19	[REDACTED]	[REDACTED]	[REDACTED]
Jul-19	[REDACTED]	[REDACTED]	[REDACTED]
Aug-19	[REDACTED]	[REDACTED]	[REDACTED]
Sep-19	[REDACTED]	[REDACTED]	[REDACTED]
Oct-19	[REDACTED]	[REDACTED]	[REDACTED]
Nov-19	[REDACTED]	[REDACTED]	[REDACTED]
Dec-19	[REDACTED]	[REDACTED]	[REDACTED]

82 In addition, CAMS is vertically integrated and supplies a wider range of ancillary services to dealers (including the leading dealer services platform, Dealer Solutions).

Merged firm strength

83 The Application suggests that there is “little overlap” between the parties on the basis that they “compete primarily in separate markets”.⁶⁹ The Application’s submissions regarding complementarity are untenable.

84 By listings volume, and on Gumtree’s own figures (reproduced in Table 5 below), the combined entity would be the largest market player in both dealer (36%) and private market segments (37%).⁷⁰

⁶⁸ DCR (unique audience), Similarweb (site visits), Similarweb (page views, total across desktop and mobile).

⁶⁹ Application, page 10.

⁷⁰ Application, RBB Economics Report, Tables 3 and 4.

Table 5 – share by listings volume (November 2019)

Supplier	Dealer	Private seller
Gumtree/eBay	13.3%	34.5%
Carsguide/Autotrader	23%	2.5%
Combined entity	36.3%	37%
Carsales	34.1%	30.8%
Facebook	15.7%	31.8%
Drive	13.8%	0.5%

- 85 The submission that the parties compete primarily in separate markets is also not supported by the above data, which shows relatively evenly-matched competition in dealer listings and a small but significant position for CAMS in Gumtree's strongest private seller category. Also, as discussed in paragraphs 69-72 above, irrespective of whether separate dealer and private seller markets are defined, the two customer segments are closely related and it is important to also take a holistic view so that a strict and narrow view of the relevant markets does not obscure the true competitive significance of the Proposed Acquisition. Looked at across both private seller and dealer listings, Gumtree and CAMS have market shares of 21% and 15% respectively and a combined 230,000 listings (or 37% share).
- 86 Finally, as discussed in paragraphs 99-104 below, Facebook is a significantly differentiated competitor, particularly in respect of dealer listings, as dealers cannot list directly on Facebook Marketplace and all conventional automotive listings platforms are able to syndicate their listings for free to Facebook. For that reason, the dealer listings attributed to Facebook in Gumtree's figures are entirely duplicative of other listings. Given that CAMS currently syndicates listings to Facebook but Gumtree does not, it is also not clear that the combined entity will continue to syndicate Carsguide/Autotrader listings to Facebook and the termination of that arrangement would significantly reduce Facebook's listings. Table 6 below illustrates, again using Gumtree's data, share in dealer listings if the duplicated Facebook listings are removed.

Table 6 – share by dealer listings volume without Facebook (November 2019)

Supplier	Dealer listings	Share
Gumtree/eBay	52,560	15.9%
Carsguide/Autotrader	90,270	27.2%
Combined entity	142,830	43.1%
Carsales	134,177	40.5%
Drive	54,438	16.4%
Total	331,445	-

Closeness of competition

87 In addition to the direct overlap between the parties, the parties are relatively close competitors in other respects.

Diversion between Gumtree and Autotrader

88 Autotrader has no editorial material and is a purely classified site – it is therefore directly comparable to Gumtree.⁷¹ There is some evidence of particular consumer substitution between Gumtree and Autotrader. Table 7 below shows monthly movements in shares by unique audience over calendar year 2019. [Confidential] While not determinative, this data suggests substitution between Gumtree and Autotrader.⁷²

Table 7 – share by unique audience (2019) [Confidential]

Month	Carsales	Gumtree	Autotrader	Carsguide	Caradvice	Drive
Jan-19	[Redacted]					
Feb-19	[Redacted]					
Mar-19	[Redacted]					
Apr-19	[Redacted]					
May-19	[Redacted]					
Jun-19	[Redacted]					
Jul-19	[Redacted]					
Aug-19	[Redacted]					

⁷¹ Cornelius, [17].

⁷² DCR data for calendar year 2019, displays only unique audience for Gumtree's automotive sub-brand (Gumtree Cars).

Month	Carsales	Gumtree	Autotrader	Carsguide	Caradvice	Drive
Sep-19						
Oct-19						
Nov-19						
Dec-19						

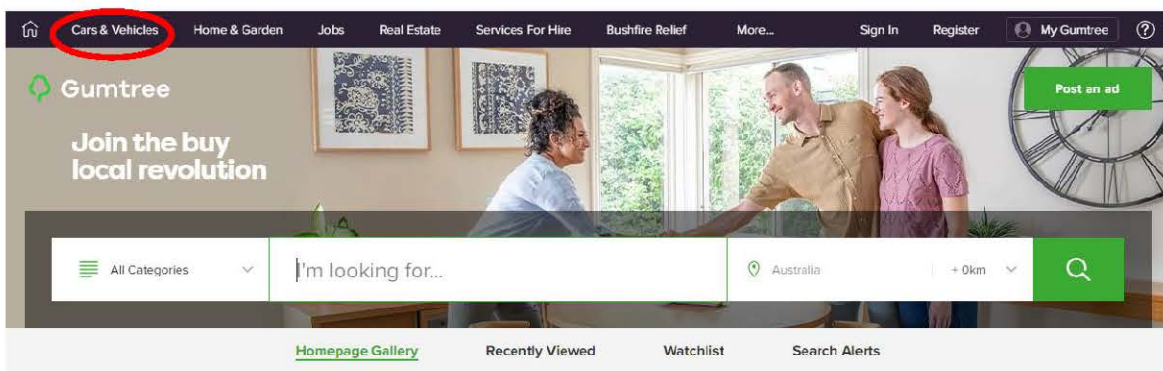
Asserted differences in business model

89 The Application argues that the parties do not compete closely as Gumtree/eBay is a general or 'horizontal' listings platform and Carsguide/Autotrader is a 'vertical' automotive listings platform.⁷³ It does not explain why this distinction is significant or why Gumtree is said not to be a close competitor to vertical listings platforms like Autotrader and Carsguide, but Facebook is argued to be a strong and direct constraint.

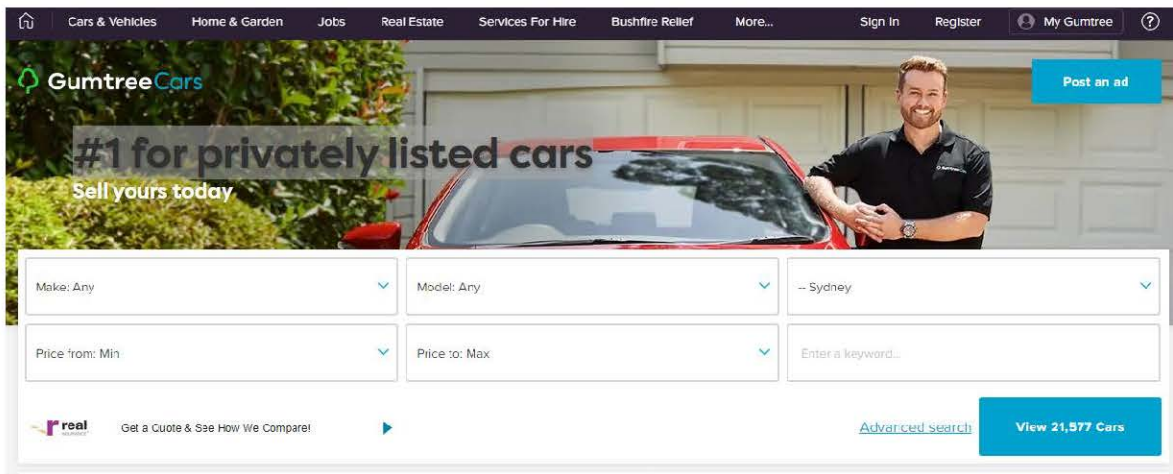
90 This distinction between horizontal and vertical listings platforms is of little, if any, competitive significance. Gumtree has a dedicated and well-developed automotive listing offering, with equivalent functionality to a vertical listing. Carsales considers that the only meaningful difference between Gumtree and vertical listings platforms is that Gumtree is able to direct significant traffic from its general website to its dedicated automotive pages.

91 The first graphic in Figure 4 below is taken from Gumtree's website. It shows that Cars & Vehicles is the first option on the Gumtree homepage (and that Cars & Vehicles can be selected from the simple dropdown search tool on the left hand side of the search bar). By clicking on the circled icon, consumers are immediately taken to Gumtree Cars' search page, which is reproduced in the second graphic below.

Figure 4 – excerpts from Gumtree's website



⁷³ Application, page 75.



92 In *eBay/Motors*, the CMA observed that, while some factors differentiated eBay's and *Motors.co.uk*'s service proposition overall, those parties offered a relatively similar service.⁷⁴ Similarly in this matter, while Gumtree and Carsguide/Autotrader have superficially different customer propositions, such as different ranges of user tools and different syndication practices, they compete more closely than the Application suggests.⁷⁵

93 By way of example, the pricing models of Gumtree and Carsguide/Autotrader are closely comparable and differentiated from Carsales' pricing model. Both Gumtree and Carsguide/Autotrader operate a comparable 'open' model rather than charging for leads. Also, unlike Carsales, both offer a basic free listing services for private vehicles regardless of volume and price of vehicle.

Switching and multi-homing

94 Carsales acknowledges, as the Application submits, both that multi-homing is common and that many dealers and private sellers consider Carsales' platform as their first choice. The Application suggests that each listing appears on an average of 1.4 sites.⁷⁶ This is consistent with Carsales' experience that, while listings will often appear on more than one platform, it is more rare for them to appear on three or four platforms. In this respect, Carsales considers that Gumtree and Carsguide/Autotrader often compete relatively closely to be the alternative listing to Carsales.

95 In *eBay/Motors*, the CMA observed a similar competitive context in circumstances where the second- and third-placed market players sought to combine.⁷⁷ In that matter, dealers told the CMA that Autotrader was their main source of consumer traffic and high-quality leads and the majority of those dealers' advertising spend was allocated to Autotrader. However, some dealers used multiple platforms to advertise all or part of their inventory and tended to allocate their advertising spend across

⁷⁴ *eBay/Motors*, [37]-[38].

⁷⁵ *eBay/Motors*, [50(b)], [52]-[54], [60].

⁷⁶ Application, pages 12 and 34.

⁷⁷ *eBay/Motors*, [37]-[38], [76], [79].

various platforms. The CMA considered that the transaction parties competed closely with each other for residual dealer advertising spend not allocated to Autotrader; and that the market leader (Autotrader) imposed a weaker constraint on the transaction parties in respect of dealers searching for a supplementary listing option to Autotrader.⁷⁸

96 CAMS acknowledges that it often competes with other market players for the “*spend left over after dealers have listed on Carsales.*”⁷⁹ The competition for second-place behind Carsales is therefore an important competitive dynamic that would be removed by the Proposed Acquisition.⁸⁰

Ancillary commercial arrangements

97 Carsales notes that there is a section of the Application titled ‘Agreements’ that is entirely redacted.⁸¹ Carsales submits that, to the extent that there are ongoing commercial agreements that are ancillary to the Proposed Acquisition, those agreements are relevant to the ACCC’s assessment. As a result, Carsales considers that some compromise position should be found that balances commercial confidentiality with the need for interested parties to provide comment on the potential market impact of the commercial agreements that are ancillary to the Proposed Acquisition.

98 Carsales notes that:

- there has been previous media speculation regarding possible exclusive listing agreements between DealerMotive (a large dealer group, that is a shareholder in Cox Automotive Australia) and Carsguide/Autotrader; and
- it is unclear whether there is an ongoing commercial arrangement proposed between Gumtree and Cox Automotive Australia’s retained Dealer Solutions business. This issue is relevant in that the Application specifically argues that Carsales’ alleged market power arises in part from its equivalent AutoGate, DataMotive and other products and services.

Other competitive constraints

Facebook

99 The Application identifies Facebook as a key competitor alongside Carsales.⁸² While Carsales agrees that Facebook represents a significant competitive threat, with considerable scale and data advantages, its longer-term strategy is unclear, it is differentiated from other market players and may compete less closely with the parties in several respects.

100 Facebook does not charge for listings or leads, and Carsales is unaware of it doing so for any Facebook Marketplace listings anywhere in the world. Facebook’s longer-

⁷⁸ *eBay/Motors*, [79]

⁷⁹ *Cornelius*, [75].

⁸⁰ *eBay/Motors*, [45].

⁸¹ Application, pages 20-21.

⁸² Application, pages 42-46.

term ambitions for automotive listings are unclear and, in that respect, it represents a much less real and present threat to Carsales than eBay/Gumtree.

101 In relation to dealer customers, Facebook:

- does not permit dealers to list directly on its platform (only individuals with a personal Facebook account are permitted to list cars);
- permits all conventional automotive listings platforms to syndicate their listings to Facebook Marketplace free of charge. Carsguide and Autotrader both have syndication arrangements with Facebook;
- does not offer a range of other ancillary products and services that are valued by dealers. To that extent, it is likely to offer a weaker constraint than CAMS, which in addition to listing services, offers data aggregation, lead management, dealer management and other services to dealers through its Dealer Solutions business; and
- does not have a conventional salesforce to engage with dealers.

102 In those respects, particularly in relation to dealer listings, Facebook Marketplace functions more like a content aggregator than a conventional listings platform. As noted in paragraph 86 above, Facebook's dealer listings business is therefore somewhat illusory – it does not compete in any direct way for dealer listings, and all of its dealer listings are entirely replicated on other platforms. It is also unclear whether Gumtree will terminate Carsguide and Autotrader's existing dealer listing syndication arrangements (noting that Gumtree does not currently syndicate to Facebook), weakening Facebook's position. Carsales considers that, in order for Facebook to compete effectively for dealer customers, it would need to make substantial technology, marketing and sales investments. It is not yet clear whether Facebook has the appetite to make those investments and, until it does so, its dealer business is likely to be reliant on partnering with conventional listings platforms via syndication arrangements.

103 For similar reasons, in *eBay/Motors*, the CMA decided that Facebook provided a "weak" constraint on suppliers in the dealer market segment.⁸³

104 In relation to private sellers, Carsales considers that consumers are more likely to add Facebook as a secondary listing than to switch from Gumtree to Facebook, as listing on Facebook's automotive marketplace is free and there are no incremental costs to those customers to do so.

Other competitors

105 The remaining competitors, Drive and Trading Post, are greatly diminished from their historical competitive strength and impose limited competitive constraint.

106 It is inaccurate for the Application to describe either market player as an "emerging" or "important" competitive constraint.⁸⁴ The time series data set out in Table 8 below

⁸³ *eBay/Motors*, [97]-[99].

⁸⁴ Application, page 75.

is instructive. It shows that Drive’s market position is stagnant or declining, while the Application itself concedes that Trading Post has “*all but exited*”. Trading Post is too small to be tracked by Nielsen.⁸⁵

Table 8 – Drive, various indicators (2019)⁸⁶ [Confidential]

Drive			
Month	Page views (number)	Site visits (number)	Unique audience share
Jan-19			
Feb-19			
Mar-19			
Apr-19			
May-19			
Jun-19			
Jul-19			
Aug-19			
Sep-19			
Oct-19			
Nov-19			
Dec-19			

New entry and expansion

107 The Application overstates the likelihood and significance of new entry and ignores that the Proposed Acquisition could contribute to an increase in barriers to, and costs of, entry for smaller operators.

108 The position in Australia is different from the position in the UK, where a key factor in the CMA’s decision to approve *eBay/Motors* was the successful entry of CarGurus, which was said to be “*rapidly growing and aggressive*” and to impose “*strong constraint*” on the transaction parties.⁸⁷ However, Carsales is not aware of any specific evidence suggesting that CarGurus is likely to enter the Australian market.

109 The ACCC has previously found that there are high barriers to entry into, and expansion in, the supply of automotive listing.⁸⁸ In contrast, the Application argues

⁸⁵ Application, page 86.

⁸⁶ DCR (unique audience), Similarweb (site visits), Similarweb (page views, total across desktop and mobile).

⁸⁷ *eBay/Motors*, [5].

⁸⁸ *Carsales/Trading Post*, at [92].

that barriers to entry are surmountable, but points to no significant examples of entry in the last five years (save for the unique case of Facebook).

110 The Application offers little specific factual evidence on which to base its claims regarding the “possibility” that Google, Amazon or CarGurus are likely new entrants.⁸⁹ The view that global platforms such as Google and Amazon would be able to leverage data they have collected to enter automotive listings is made in broad terms and no evidence is provided of either having interest in automotive listings markets in Australia. The Application also does not address why eBay could not exploit the same data advantages.

111 The Application claims that positive network effects and economies of scale and scope are benefits of the Proposed Acquisition⁹⁰ – but those factors are also likely to increase barriers to entry (and particularly expansion). In *Carsales/Trading Post*, the ACCC found that already high barriers to entry and expansion would have increased due to the proposed acquisition, including as a result of network effects.⁹¹

Public benefit claims

112 The Application claims that the Proposed Acquisition will result in: (i) the combined entity offering a better two-sided platform; (ii) the combined entity imposing a stronger constraint upon Carsales’ ‘dominance’; (iii) positive network effects; and (iv) investment in better products and services creating a stronger alternative platform for consumers.⁹²

113 It is unclear whether, or the extent to which, any of these potential benefits are transaction-specific. As discussed in paragraphs 15-34 above, Carsales denies that Gumtree is in any sustained or irreversible decline or that it could not make the product and service enhancements contemplated without acquiring CAMS. In those circumstances, the proposition that the Proposed Acquisition is required to implement competitive responses to Carsales or to create a more effective platform to connect sellers (including dealers) and buyers is implausible.

114 In relation to the claim that cross-listing is a transaction-specific benefit,⁹³ in circumstances where dealers and other sellers routinely multi-home and listing syndication arrangements are not uncommon, the incremental benefits arising from the combination of two close competitors to allow cross-listings are unclear. While the Application claims that syndication arrangements (particularly with Facebook) are likely to increase views and support lead generation, the Application does not adequately explain or quantify any additional benefit provided by the cross-listing opportunities resulting from the Proposed Acquisition over and above the implementation of a syndication arrangement.

⁸⁹ Application, page 54.

⁹⁰ Application, pages 81 and 85.

⁹¹ *Carsales/Trading Post*, at [92].

⁹² Application, section 9.

⁹³ Application, page 80.

115 The Application makes little attempt to quantify the claimed cost savings and efficiencies.⁹⁴ In relation to revenue synergies, Carsales considers that there are likely to be opportunities for the parties to generate additional revenues as a result of the removal of competitive tensions between them (particularly, as discussed in paragraphs 94-96 above, to secure secondary or alternative listings from dealers who prefer Carsales as their primary listings platform). However, there does not appear to be any strong basis to conclude that any significant proportion of the cost and revenue synergies are likely to be passed through to consumers, so as to constitute a public benefit or be given significant weight.

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⁹⁴ Application, page 85.