



House Standing Committee on Economics
Committee Office, Department of the House of Representatives
Parliament House, Canberra ACT 2600

5 October 2023

Dear Secretariat

Following my appearance before the Committee on 3 May, Microsoft is pleased to provide supplementary information taken on notice during the hearing.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS INQUIRY INTO PROMOTING ECONOMIC DYNAMISM, COMPETITION AND BUSINESS FORMATION

QUESTION: CHAIR: In a sense, and just at a very high level, some of the issues that are being flagged in the ACCC's reports—and, again, I suspect that you and others, whether it be Meta or Apple or whoever, may not agree with every single way they characterise it. But, to my way of thinking, at the very least, one might say that some of the acquisitions that have been undertaken over the last 10 or 20 years suggest issues that are similar to the kinds of vertical integration that we see in many other sectors. Sometimes they raise issues of concern for regulators and sometimes not. But in a sense we're seeing issues that are not new to corporate growth.

ANSWER: In relation to proposals put forward by the ACCC regarding mergers and acquisitions Microsoft is supportive of the need for greater scrutiny and oversight of mergers in digital markets. Microsoft's observation is that regulators have been effectively using their existing tools to do so. Microsoft would caution against proposals to reverse the burden of proof on merger parties to establish the lack of competitive harm from a proposed acquisition, or on rules that deem certain acquisitions to be anticompetitive.

Such reforms have the potential to operate as a ban on mergers absent permission — which does not appear commensurate to the harm sought to be addressed. In practice, imposing such a handbrake on acquisitions will serve as a barrier to entry to many startups, whose investors commit funding in the knowledge that there are a range of exit opportunities, including acquisition by a larger competitor. While merger review ought to be rigorous, there is no basis to presume a merger is anticompetitive.

There are many reasons why a start-up may not be able to continue to compete as it matures, but the innovation it has brought to market can nevertheless be optimally deployed to benefit a broader range of customers. The unintended consequence of rules that reverse the onus of proof and deem mergers anticompetitive may be to stifle the growth of a vibrant and well-funded start up community, and the innovation that it generates.

Thank you for the opportunity to appear before the Committee.

Yours sincerely

Belinda Dennett

Corporate Affairs Director