



**SUBMISSION OF GOOGLE AUSTRALIA PTY LTD**

**TO THE ACCC DIGITAL PLATFORMS INQUIRY**

**April 20, 2018**

## Introduction and Executive Summary

Google has a long-standing and strong commitment to Australia. For more than a decade, Google Australia employees have been developing innovative products to the benefit of Australian consumers, businesses, and the economy. In 2015, more than 840,000 Australian businesses connected with consumers via Google, using Google products to reach new consumers and support their day-to-day operations.<sup>1</sup> Last year, Google sent more than 2 billion visits to Australian news websites. We are able to offer most of our services to Australians for free because our services are supported by online advertising.

Google is grateful for the opportunity to participate in the ACCC's Digital Platforms Inquiry. As a company formed in the Internet age, Google understands and appreciates both the challenges and opportunities that the Internet has created and continues to create.

The Internet is the latest technology to foster change in the distribution of news to users. Television and radio each increased competition for the supply of news and, eventually, for advertising dollars. Digital technology has now expanded user access to news on a much greater scale. Through the Internet, users have access to a wide variety of diverse news content from local and international sources as well as content for specialised interests.

Low barriers to entry online, combined with the global reach of the Internet, have also provided new opportunities for media content creators<sup>2</sup> of all sizes. For example, the Internet has allowed media content creators located outside of Australia to create local offerings without significant infrastructure investments. Additionally, media content creators within Australia now have a wider addressable audience. Lower barriers to entry have also helped many startups to emerge with novel business models for the provision of news content. These changes have been propelled by users seeking greater diversity in the number of sources they turn to for information, including Australian, international and specialised news sources.

The Internet has also enabled online advertising to become a vibrant competitive part of the advertising industry. Online advertising has been marked by continuous innovation, investment, and new entrants, and today offers businesses of all sizes a wide breadth of advertising options. There are numerous ad formats, including text, display, mobile, and video, and these ads can be matched more effectively with consumers, providing businesses of all sizes with opportunities for more relevant, cost effective and efficient advertising.

These developments have also required traditional media content creators to rethink their revenue models. For example, the Internet encouraged the establishment and growth of successful new online businesses that now compete with traditional media content creators for advertisers in areas such as classifieds, cars, and real estate. These new sites result in greater choice and utility for consumers, and

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<sup>1</sup> See, AlphaBeta, Google Economic Impact: Australia 2015 (2016), at 5, <http://www.alphabeta.com/wp-content/uploads/2016/08/Google-economic-impact-2015.pdf>. In the 2016 calendar year Google invested more than \$400 million in its Australian operations, and Google's workforce grew to around 1,300 people—more than half of whom are software engineers working on cutting edge technology for products like Google Maps (which was started in Australia), Chrome, Google Photos, and supporting our global network operations and technical infrastructure.

<sup>2</sup> Throughout this submission, we adopt the term used in the ACCC Issues Paper "media content creators" to refer to publishers, of all sizes, of news and journalistic content.

generate economic growth. As discussed below, in some instances, existing Australian media content creators have adapted quickly, such as by investing in real estate listing sites. In other areas like cars and job postings, successful new Australian businesses have emerged.

Google's core mission is to organise the world's information, including news, and make it universally accessible and useful. Google's business revolves around connecting users with credible, timely and relevant information. In this way, Google's business model is aligned with assisting media content creators in adapting to digital technology, including through targeted initiatives designed to help media companies distribute and monetise their content:

- Technology for monetisation: We partner with Australian media content creators to enhance their revenue streams through paid content and subscriptions, as well as through digital advertising.
- Audience: We send billions of visits to Australian media sites by connecting users with relevant content.
- Technology and know-how for publishing online: We help Australian media content creators integrate new technology and innovative tools into their work through Google's News Lab and the First Draft Coalition (of which Google is a founding member).
- Quality: We work to build user trust by supporting efforts to help users find high-quality content online, including strengthening and updating our ranking algorithms so as to surface more authoritative results in Search.

This response is divided into three sections. **Section I** provides historical context for the technological changes taking place. **Section II** discusses the challenges and opportunities that the Internet has created for media content creators as well as the benefits for the entire ecosystem of news media, users and advertisers. **Section III** provides an overview of how Google's products and services help users find content online and help media content creators publish and monetise their content.

## I. Traditional Media Has Faced Challenges From Technological Advancements Throughout History

The Internet is the most recent development in a longer-term technological evolution in media that started many decades ago. Indeed, the current shift to the online environment shares similarities with earlier technological advancements in radio and television. While the features of the Internet are new in their specifics, a brief survey of Australian media history paints a picture of frequent evolution and realignment:

- Radio: More than a century after printed newspapers emerged as the primary means of providing news and journalistic content, radio became accessible to the Australian public in 1923 and provided new competition to the newspaper industry.<sup>3</sup>
- Television: In the 1950s, the introduction of television in Australia launched a new creative and commercial era.<sup>4</sup> Television quickly became a powerful medium for advertisers, and traditional news organisations increasingly viewed television as an existential threat to their revenue base as advertisers began shifting their spending to capture the attention of television viewers.

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<sup>3</sup> CMS Radio, *A Short History of Australian Radio* (2013), at 2, [http://cmsradio.org.au/wp-content/uploads/2013/10/History\\_Radio.pdf](http://cmsradio.org.au/wp-content/uploads/2013/10/History_Radio.pdf).

<sup>4</sup> National Archives of Australia, *Introducing television to Australia, 1956 – Fact sheet 115*, <http://www.naa.gov.au/collection/fact-sheets/fs115.aspx>.

- The Internet: The Internet has enabled a similar shift in the way content is delivered and consumed, which has resulted in changing business models in many media sectors, in addition to the traditional news industry. For example, digital distribution of music caters to users' preferences for unbundled content (e.g., purchasing individual songs on iTunes instead of full albums) or subscribing to content instead of buying it (e.g., subscription services such as Spotify). Similarly, books and magazines are now available to users through e-readers and audiobooks. Users are also "cutting the cord" and replacing traditional television bundles with streaming video.

Each technological development has provided users with more choice, which has led to an overall increase in media consumption. Australian users have flocked to adopt these technologies, and with each wave, businesses that adapted to changing user demands have thrived.

## II. The Internet Has Created New Challenges and Opportunities

The Internet has disrupted traditional media business models and presented the media industry with new challenges. At the same time, the transition to online distribution and consumption of news has created new opportunities for growth in ways that benefit users, media content creators, and advertisers.

### A. The Internet has challenged traditional news revenue models

The explosion of easily accessible news and journalistic content brought about as a result of the Internet, and accompanying changes in user behaviour, has challenged traditional media business models. These key challenges are explained in more detail below.

**Expanded user choices:** The traditional approach to packaging and distributing content has evolved in response to the increased choice that the Internet provides users. Instead of reading an entire newspaper or watching or listening to a full news broadcast, online users often read or watch one article or segment at a time. As news has moved online, users increasingly go directly to specific articles and videos that match their interests, often referred to by a friend or colleague who has shared a link from a social media service such as Facebook or Twitter, search engines, Wikipedia, blogs, or news websites. Many media content creators now assume that a reader will view an article or video on its own, independent of the rest of the publication or broadcast, and this now requires a different approach to monetisation.

**Competition from specialised entrants:** The Internet has also opened the door to competition from specialised sites that offer alternatives to sections of the traditional print newspaper. Sites like Gumtree, SEEK and carsales.com have surged in popularity and profitability.<sup>5</sup> These sites have increased competition for users and advertising revenues. In addition, there are now more news publications that focus on specialised content such as finance and sports. These publications compete with traditional media for advertising revenues without having to produce as wide a range of content. In response to

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<sup>5</sup> See, e.g., Kathy Skantzos, *Carsales.com profit and revenue increases* (Feb. 7, 2018), Finance News Network , [https://www.finnewsnetwork.com.au/archives/finance\\_news\\_network168585.html](https://www.finnewsnetwork.com.au/archives/finance_news_network168585.html) ("Carsales.com has recorded a 27 per cent increase in profit after tax for the half year of FY2018"); Max Mason, *Carsales sees domestic and international growth continuing* (Aug. 9, 2017), Australian Financial Review, <http://www.afr.com/business/media-and-marketing/advertising/carsales-sees-domestic-and-international-growth-continuing-20170807-gxqvxo>; SBS News, *SEEK lifts revenue as investments deliver* (Aug. 16, 2017), <https://www.sbs.com.au/news/seek-lifts-revenue-as-investments-deliver>; Yolanda Redrup, *SEEK signals start-up investments as revenue cracks \$1 billion*, Australian Financial Review (Aug. 16, 2017), <http://www.afr.com/technology/seek-signals-startup-investments-as-revenue-cracks-1-billion-20170815-gxwum6>.

these shifts, some traditional media companies are diversifying their online portfolio and have expanded into specialised areas.

**Shift to targeted, online advertising:** Traditional media content creators provide advertisers with an easy-to-reach, aggregated audience. However, the traditional ad buy is far from perfect because advertisers are not able to effectively target their intended audience. The Internet and online advertising tools have provided advertisers with more sophisticated ways to reach relevant customers, including by shifting their advertising to specialised sites that more directly align with their customer base. The ability to better target customers combined with better analytics to track the return on ad spend has led advertisers to increase their online advertising. This has challenged traditional media content creators, particularly those that have sought to rely on traditional print advertising. However, free-to-air TV advertising remains the largest single advertising channel in Australia.<sup>6</sup>

## B. Despite these challenges, traditional media content creators can successfully adapt to the online environment

Industry observers have long-predicted that although the transition to online consumption of news is disruptive, journalism will adapt and survive, particularly due to the lower costs that online distribution provides. For example, the Pew Research Center in the US organised roundtable discussions on the challenges faced by the newspaper industry as a result of the transition to the Internet in 2006. One analyst observed: “*The toughest issue will be the transition period (from print to online, broadcast to broadband), but once the migration is over, cheaper distribution costs should enable media companies to more than fund the news gathering resources.*”<sup>7</sup>

Australian media content creators have acknowledged the challenges facing them, but similarly believe that they still have value to offer. Examples of traditional media embracing innovation include:

Fairfax noting: “*We have been able to manage the global decline in print advertising and readership, while driving growth in Domain and digital revenue. . . . Fairfax has never shied away from the fact that our publishing businesses are on a print to digital journey – and we have made significant progress in making them sustainable for the long term.*”<sup>8</sup>

Nine Network publicly referring to its news offering: “*The future media world will be dominated by video and Nine is at the forefront of this evolution in the Australian market . . . from its genesis on Channel 9, Nine News is no longer one-dimensional. Across Nine’s News and Current Affairs brands, there is similarly huge engagement across the digital publishing platforms. 15 million video streams each month through 9.com.au and 9News.com.au which attracts a unique audience of more than 4.5 million Australians. And also into social with Facebook, Twitter and*

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<sup>6</sup> PwC, Outlook: Australian Entertainment and Media 2017-2021 (16th ed. 2017), <https://www.pwc.com.au/publications/entertainment-and-media-outlook-2017.html>.

<sup>7</sup> Pew Research Center Journalism and Media Staff, *Challenges to the Newspaper Industry* (Jul. 24, 2006), Pew Research Center, <http://www.journalism.org/2006/07/24/challenges-to-the-newspaper-industry/>.

<sup>8</sup> Fairfax Media Ltd., Annual Report (2016), at 3, 8, <http://www.fairfaxmedia.com.au/ArticleDocuments/193/FAIRFAX%20Annual%20Report%202016.pdf.aspx?Embed=Y>.

*Instagram together accounting for more than 200 million views each month. 9News is pervasive.”<sup>9</sup>*

Some traditional newspaper businesses have already successfully transitioned online. In 2016, reports suggested *The Independent* (a UK media content creator) became profitable for the first time in more than 20 years after transitioning to a digital-only newsbrand.<sup>10</sup>

Print media, radio and television have adapted to the Internet by releasing their own websites and mobile apps, which offer new opportunities for monetisation. For example, Seven Network provided coverage of the 2018 Winter Olympics on its OlympicsOn7 app, offering a mix of free and paid content. Similarly, the Australian Radio Network introduced more targeted advertising through its mobile iHeartRadio app (which combines digital music and live radio streaming from across its stations in one platform) by using information such as user profile and location information.<sup>11</sup> News publishers are also increasingly using their own data to optimise their online business. Fairfax CEO Greg Hywood has noted that “[i]n many respects, we have better data [than Google and Facebook], in terms of people’s habits and what they do.”<sup>12</sup>

Additionally, traditional media content creators have been experimenting with subscription fee models and other innovative monetisation mechanisms online. For example, metered subscriptions, which allow a certain number of articles to be viewed before a subscription is required, and “freemium” subscriptions, which provide some content for free, but require a subscription for certain premium content. Subscription models allow subscribers to choose different content bundles in order to better match their preferences. *The Wall Street Journal* is a good example of a news publisher that has implemented customised paywalls.<sup>13</sup>

There are signs of success. Digital subscribers at News Corp Australia’s mastheads<sup>14</sup> were 389,600 as of December 31, 2017, compared to 309,200 the year prior—an increase of more than 25% over one year.<sup>15</sup> As at December 2017, paid digital subscribers for *The Sydney Morning Herald*, *The Age*, and *The Australian Financial Review* had reached more than 283,000, an increase of more than 50,000 in five

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<sup>9</sup> Nine Entertainment Co Holdings Ltd., Annual Report (2017), at 8, 10, <http://prod.static9.net.au/ /media/Network/NineEntertainmentCo/PDF-Downloads/Nine-Entertainment-Co-Annual-Report-2017.pdf>.

<sup>10</sup> See, Freddy Mayhew, *The Independent claims profit for first time in 23 years after going digital-only* (Oct. 21, 2016), Press Gazette, <http://www.pressgazette.co.uk/the-independent-claims-profit-for-first-time-in-23-years-after-going-digital-only/>.

<sup>11</sup> Pippa Chambers, *Australian Radio Network launches one-to-one targeted audio ads* (Aug. 7, 2017), AdNews, <http://www.adnews.com.au/news/australian-radio-network-launches-one-to-one-targeted-audio-ads>.

<sup>12</sup> Greg Hywood, Official Committee Hansard, Austl. S. Rep., *Select Committee on the Future of Public Interest Journalism* (May 17, 2017), at 34, [http://parlinfo.aph.gov.au/parlInfo/download/committees/commsen/3c78d456-3399-42b6-9227-09ea9bdbe69f/toc\\_pdf/Select%20Committee%20on%20the%20Future%20of%20Public%20Interest%20Journalism%202017%2005%2017%205088.Official.pdf;fileType=application%2Fpdf#search=%22committees/commse n/3c78d456-3399-42b6-9227-09ea9bdbe69f/0000%22](http://parlinfo.aph.gov.au/parlInfo/download/committees/commsen/3c78d456-3399-42b6-9227-09ea9bdbe69f/toc_pdf/Select%20Committee%20on%20the%20Future%20of%20Public%20Interest%20Journalism%202017%2005%2017%205088.Official.pdf;fileType=application%2Fpdf#search=%22committees/commse n/3c78d456-3399-42b6-9227-09ea9bdbe69f/0000%22).

<sup>13</sup> Shan Wang, *After years of testing, The Wall Street Journal has built a paywall that bends to the individual reader* (Feb. 22, 2018), NeimanLab, <http://www.neimanlab.org/2018/02/after-years-of-testing-the-wall-street-journal-has-built-a-paywall-that-bends-to-the-individual-reader/>.

<sup>14</sup> Including Australian Regional Media.

<sup>15</sup> News Corporation, *News Corporation Reports Second Quarter Results for Fiscal 2018* (Feb. 8, 2018), at 4, [https://newscorpcom.files.wordpress.com/2018/02/q2-2018-press-release\\_final\\_02-08-2018-1230pm.pdf](https://newscorpcom.files.wordpress.com/2018/02/q2-2018-press-release_final_02-08-2018-1230pm.pdf).



months.<sup>16</sup> *The Washington Post* has also had success in becoming profitable by increasing subscriptions while expanding its news coverage by hiring more journalists.<sup>17</sup> Fairfax CEO Greg Hywood recently noted he sees an increase in user willingness to pay for quality content: “*Whether it is because in the Netflix-Stan era people are getting more used to paying for content ... people are really tuning in and they're really determining what quality content they want and showing a preparedness to pay for it. ... Having said that too, the quality of offering that publishers are putting to the market now is just way better than it was a few years ago.*”<sup>18</sup>

Traditional news publishers have also sought to grow direct advertising revenue by participating in the transition to online classifieds and taking advantage of new revenue streams made possible by the Internet. In the case of real estate classifieds, both News Corp and Fairfax have been successful in establishing and growing highly successful and profitable online businesses.<sup>19</sup> In cars and job listings, new businesses like SEEK and carsales.com have blossomed from local startups to major businesses, employers and innovators in those verticals. These new sites result in greater choice and utility for users and generate economic growth.

### C. The Internet has created new opportunities for traditional and non-traditional media content creators and provides many benefits for users and advertisers

While the Internet has created challenges for traditional media content creators, it has also created new opportunities for these players as well as benefits for users and advertisers. Users now have access to a much wider and more diverse range of news content online, media creators have lower costs to distribute their content to a larger addressable audience, and companies of all sizes are better able to cost effectively advertise their products.

#### a. Benefits to users

The highly competitive online environment has so far brought many benefits to users, yielding a greater variety of content.

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<sup>16</sup> Fairfax Media Limited, *Fairfax Media Limited 2018 Half-Year Results Announcement* (Feb. 21, 2018), at 2, [http://www.fairfaxmedia.com.au/ArticleDocuments/193/2018-02-21\\_ASX%20Media%20Release.pdf.aspx?Embed=Y](http://www.fairfaxmedia.com.au/ArticleDocuments/193/2018-02-21_ASX%20Media%20Release.pdf.aspx?Embed=Y).

<sup>17</sup> Matt Rosoff, *Jeff Bezos has advice for the news business: 'Ask people to pay. They will pay'* (Jun. 21, 2017), CNBC, <https://www.cnbc.com/2017/06/21/jeff-bezos-lessons-from-washington-post-for-news-industry.html> (“*This industry spent 20 years teaching everyone in the world that news should be free. The truth is, readers are smarter than that. They know high-quality journalism is expensive to produce, and they are willing to pay for it, but you have to ask them. We've tightened our paywall, and every time we've tightened our paywall, subscriptions go up*”); Ken Doctor, *'Profitable' Washington Post adding more than five dozen journalists* (Dec. 27, 2016), Politico, <https://www.politico.com/media/story/2016/12/the-profitable-washington-post-adding-more-than-five-dozen-journalists-004900>.

<sup>18</sup> Max Mason, *Willingness to pay for quality journalism is growing, Fairfax Media CEO Greg Hywood says* (Feb. 21, 2018), Australian Financial Review, <http://www.afr.com/business/media-and-marketing/publishing/willingness-to-pay-for-quality-journalism-is-growing-fairfax-media-chief-executive-greg-hywood-says-20180221-h0wfa8>.

<sup>19</sup> Zoe Samios, *REA Group's Australian revenue up 14% on year* (Aug. 11, 2017), Mumbrella, <https://mumbrella.com.au/rea-groups-australian-revenue-14-year-year-464092>; Fairfax Media, *Our Portfolio*, <http://www.fairfaxmedia.com.au/portfolio-landing>. See also, Tim Burrowes and Nic Christensen, *Fairfax Media joins News Corp with real estate as bigger profit source than news* (Aug. 10, 2016), Mumbrella, <https://mumbrella.com.au/fairfax-media-joins-news-corp-real-estate-bigger-profit-source-news-386910>.

**Increased choice:** Lower barriers to entry for media content creators have been instrumental to the significant increases in the number and types of Australian and international news sources now available to Australian users. Online news in Australia has experienced significant growth since the launch of Australian versions of international news brands such as *BBC News* (launched in 2014)<sup>20</sup> and *Daily Mail* (launched in 2014).<sup>21</sup> Most recently, in 2017, *The New York Times* opened a bureau in Australia.<sup>22</sup> *The Guardian* (from the UK) has also built a significant audience and is estimated to now obtain around 5% of its traffic from Australia.<sup>23</sup>

**Access to a longer tail of interests:** The lower barriers to entry have also allowed more specialised and diverse offerings to flourish. Users now have access to content for a long tail of interests—examples include *Mumbrella* (a trade media industry publication), *The Squiz* (a free, daily news digest), *The Mandarin* (online public sector news), and a range of blogs and aggregators on various topics via sites such as *Feedly*.

**Minority voices:** Internet culture and digital media are also giving a greater voice to minority perspectives. For example, newspapers such as *Koori Mail* and *National Indigenous Times* have emerged, reporting on issues relevant to Indigenous Australians.<sup>24</sup>

## b. Benefits to media content creators

Media content creators have been able to take advantage of the benefits of Internet distribution:

**Lower costs:** The Internet has provided a platform for media content creators of all sizes to distribute content at a much lower cost. Fairfax’s 2015 Annual Report stated that the publishing arm for its three major newspapers (*The Sydney Morning Herald*, *The Age*, and *The Australian Financial Review*) experienced a growth in earnings of 25% due to cost reductions assisted by the 2014 closure of its Tullamarine and Chullora printing facilities.<sup>25</sup> Reports suggested these closures were in anticipation of a “digital-only” future and that annual savings of \$44 million were expected in printing costs alone.<sup>26</sup>

**Lower entry barriers:** Lower costs have significantly reduced barriers to entry for media content creators, which has provided domestic and global media content creators of all sizes with increased ability to enter the Australian media landscape. Without the need for significant infrastructure investments, startups have emerged and built strong new businesses. For example, in late 2017, content

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<sup>20</sup> Angus Foster, *BBC News Website Launches Australia page* (Oct. 20, 2014), BBC, <http://www.bbc.com/news/blogs-the-editors-29634016>.

<sup>21</sup> Daily Mail, *The Daily Mail Australia to launch online in 2014* (Nov. 27, 2013), <http://www.dailymail.co.uk/news/article-2514118/The-Daily-Mail-Australia-launch-online-2014.html>.

<sup>22</sup> Damien Cave, *Our Australian Expansion* (May 1, 2017), The New York Times, <https://www.nytimes.com/interactive/2017/world/australia/news-expansion.html>.

<sup>23</sup> SimilarWeb, *theguardian.com March 2018 Overview*, <https://www.similarweb.com/website/theguardian.com#overview>; See also, Alexa, *theguardian.com Traffic Statistics* (last updated Apr. 18, 2018), <https://www.alexa.com/siteinfo/theguardian.com>.

<sup>24</sup> Koori Mail states that it reports “on the issues that matter to Aboriginal and Torres Strait Islander people. We give Indigenous Australians a voice missing in the mainstream media.” See, Koori Mail, *About Koori Mail*, <https://koorimail.com/about-koori-mail/>.

<sup>25</sup> Fairfax Media Ltd., *Annual Report (2015)*, at 2, [http://www.fairfaxmedia.com.au/ArticleDocuments/191/2015-08-13\\_Annual%20Report%202015.pdf.aspx?Embed=Y](http://www.fairfaxmedia.com.au/ArticleDocuments/191/2015-08-13_Annual%20Report%202015.pdf.aspx?Embed=Y).

<sup>26</sup> See, *The Conversation*, *Fairfax to cut 1,900 jobs, shut printers in huge downgrade* (Jun. 17, 2012), <https://theconversation.com/fairfax-to-cut-1-900-jobs-shut-printers-in-huge-downsize-7726>.



on *The Urban List* was estimated to be viewed, liked, and shared around 12.5 million times a month.<sup>27</sup> In 2017, *The Conversation* adopted its “toward 10 million” strategy with the aim of doubling the number of monthly unique browsers on the site, which produced growth of 80% in unique browsers in 12 months.<sup>28</sup>

**Access to a larger addressable audience:** With a global footprint, the Internet has allowed media content creators to multiply the size of their addressable audience. For example, news.com.au is estimated to derive around one third or more of its traffic from outside of Australia.<sup>29</sup>

### c. Benefits to advertisers

The Internet also offers advertisers new formats (including text, display, mobile, and video) and provides businesses of all sizes opportunities for more targeted, cost effective, and efficient advertising to consumers. Larger established companies, as well as smaller companies or startups that historically may not have been able to afford to place newspaper, television or radio ads, now have the opportunity to promote their products to a wider and more relevant audience.

In addition, advertisers can receive a highly attractive return on their advertising investments by connecting with the right audience. One hundred years ago, businessman John Wanamaker reportedly said, “*Half the money I spend on advertising is wasted; the trouble is I don’t know which half.*” In contrast to offline media, Internet media ads can be targeted much more effectively. Not only is online advertising more targeted, but analytics tools can provide advertisers with more insight into the effectiveness of their advertising (e.g., by assessing click-through behaviour).

Advertiser choices reflect the enhanced value of these new advertising opportunities. Advertisers have invested heavily over recent years in these new and expanded ad formats. Between 2012 and 2016, in Australia, advertising revenue in total grew by 32% overall, while Internet advertising revenues grew by 113.8%.<sup>30</sup>

## III. Google’s Role in Helping Users and News Organisations

Google’s tools and technology are designed to help people find what they are looking for from the wealth of information available on the Internet, including news content. Ensuring that credible news sources can thrive online helps us to do a better job of providing our users with reliable information and ensures that users continue to use our services.

Google not only helps users find content on the Internet, but also provides businesses (including small to medium-sized businesses) with a variety of advertising tools to help them advertise effectively. Google also provides tools for media content creators to more effectively sell advertising. Thus, Google’s interests are aligned with enabling high quality content that users seek, helping businesses advertise their products and services, and with helping media content creators monetise their content.

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<sup>27</sup> MediaWeek, *The Urban List founder Susannah George talks global ambitions* (Nov. 17, 2017), <https://mediaweek.com.au/urban-list-founder-susannah-george/>.

<sup>28</sup> The Conversation, Annual stakeholder report (2017), at 4, [https://cdn.theconversation.com/static\\_files/files/14/2017\\_Stakeholder\\_Report\\_The\\_Conversation.pdf?1518052945](https://cdn.theconversation.com/static_files/files/14/2017_Stakeholder_Report_The_Conversation.pdf?1518052945).

<sup>29</sup> SimilarWeb, news.com.au March 2018 Overview, <https://www.similarweb.com/website/news.com.au#overview>; See also, Alexa, news.com.au Traffic Statistics (last updated Apr. 18, 2018), <https://www.alexa.com/siteinfo/news.com.au>.

<sup>30</sup> PwC, Outlook: Australian Entertainment and Media 2017-2021 (16th ed. 2017), <https://www.pwc.com.au/publications/entertainment-and-media-outlook-2017.html>.

## A. Google's core business relies on connecting users with information

Our core businesses all revolve around our ability to connect users with credible, timely, and relevant information:

- Users come to Google Search seeking many types of information, in ways that continuously change over time as the material available online evolves. Search is at the heart of what Google does. Google sends billions of visits to news websites every month from users that are seeking news content.
- Google News is designed to make it easier for users to search for journalistic content and to connect with the publishers that have the news that most interests them. Google News helps Australian users find news articles from more than 80,000 news publishers around the world, including more than 1,000 publishers in Australia.
- YouTube is a valuable source of news that connects users with media content creators (for example broadcasters and citizen journalists). For example, *The Sydney Morning Herald*,<sup>31</sup> *Buzzfeed*<sup>32</sup> and *Vice News*<sup>33</sup> have dedicated YouTube channels, while the Australian Broadcasting Corporation makes a live stream of ABC News 24 available via YouTube.<sup>34</sup>

In all of these businesses, Google's incentives are aligned with those of media content creators. Google helps users find relevant, useful information. Quality content is complementary to Google's search and information services—if there is relevant, high quality content on the Internet, users can use Google's services to find it. It is, therefore, in Google's interest to help media content creators to produce quality content.

## B. Google helps media content creators monetise their content and make it more accessible online

Google's interests also align with helping media content creators make their content more accessible to users online and with helping them monetise their content. In 2017, Google paid US\$12.6 billion to partners, which constituted more than 70% of Google's display advertising revenues,<sup>35</sup> and drove 10 billion clicks a month to publishers' websites for free via Google Search, Google News, and other products.<sup>36</sup> That is, every minute we helped connect approximately 228,000 visitors with content on media sites around the world. Some of the key ways in which Google is helping media content creators include:

**Improved advertising engagement:** Media content creators are benefiting from the ability to provide more relevant advertising to users, which is only possible because of the Internet. Many media content creators have difficulty serving contextual ads next to news stories. Google's products, such as AdSense, help media content creators to place more engaging, relevant ads on their sites. Some ads are related to the particular user while others might be related to the article or other content on the page. In

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<sup>31</sup> [https://www.youtube.com/channel/UCi-nUi67HVFEtpaFsjRj\\_NA](https://www.youtube.com/channel/UCi-nUi67HVFEtpaFsjRj_NA).

<sup>32</sup> <https://www.youtube.com/user/BuzzFeedVideo>.

<sup>33</sup> <https://www.youtube.com/user/vicenews>.

<sup>34</sup> <https://www.youtube.com/watch?v=KG5k0t7WdYY>.

<sup>35</sup> Alphabet Inc., Form 10-K (2017), at 35, [https://abc.xyz/investor/pdf/20171231\\_alphabet\\_10K.pdf](https://abc.xyz/investor/pdf/20171231_alphabet_10K.pdf).

<sup>36</sup> Philipp Schindler, *The Google News Initiative: Building a stronger future for news* (Mar. 20, 2018), Google Blog, <https://blog.google/topics/google-news-initiative/announcing-google-news-initiative/>.

both cases, more relevant advertising generates more value to the advertiser, more revenue for the media content creator, and is of greatest potential value to users.

**Supporting news subscription and paid content:** Google has collaborated with media content creators to support their efforts to enhance revenue streams through paid content and subscriptions. Fairfax CEO Greg Hywood recently addressed Fairfax's partnership with Google to drive digital subscriptions: "*I can't sing the praises of our relationship with Google higher...it's been a really good, productive partnership so far. And we think that there's a lot of upside across the world in a range of areas.*"<sup>37</sup>

Key examples of Google's work with media content creators in this area include:

- **Introduction of flexible sampling:** Following discussions with media content creators about their needs, Google has moved to a new sampling model that puts media content creators fully in control of how many free articles, if any, they want to provide to potential subscribers based on their own business strategies.
- **Visibility:** Google has worked with media content creators to identify ways in which subscriptions and paywalls can be supported by making subscription-based content more visible in search results.
- **Easy sign up:** To encourage users to subscribe to news sites, Google has announced *Subscribe with Google*, which removes the administrative barriers that exist in some subscription processes.<sup>38</sup> By building on Google's existing identity capabilities, users will be able to pay using a credit card on their Google account.<sup>39</sup> This will remove paywall prompts across different devices.
- **Subscribed sources:** Google Search will feature a module for subscribed sources so that users can easily access anything relevant from their subscribed source.<sup>40</sup>
- **Building skills for content creation:** Google promotes initiatives such as the Google News Lab, which is a dedicated program within Google that works with newsrooms to provide training to boost digital skills and support journalism.<sup>41</sup> Google also offers Google News Lab fellowships.<sup>42</sup>
- **Driving subscriptions through technology:** Google is exploring ways that its technologies can help media content creators build subscriptions, for instance by using machine learning and data to present the right subscription offer to the right audience at the right time.
- **Harnessing digitisation:** Google is developing new technologies with media content creators so that they may capitalise on the digitisation of news media. This includes a new dashboard on

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<sup>37</sup> Yahoo! Finance, Edited Transcript of Fairfax Media Ltd earnings conference call or presentation Tuesday, February 20, 2018 at 11:30:00pm GMT (Mar. 20, 2018), <https://finance.yahoo.com/news/edited-transcript-fxj-ax-earnings-192116147.html>.

<sup>38</sup> Jim Albrecht, *Introducing Subscribe with Google* (Mar. 20, 2018), Google Blog, <https://blog.google/topics/google-news-initiative/introducing-subscribe-google/>.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> Google News Initiative Programs, <https://newsinitiative.withgoogle.com/programs>; Google News Lab, <https://newsinitiative.withgoogle.com/google-news-lab>.

<sup>42</sup> Austl. S. Rep., Select Committee on the Future of Public Interest Journalism (Feb. 2018), at 66, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Future\\_of\\_Public\\_Interest\\_Journalism/PublicInterestJournalism/~media/Committees/journalism\\_ctte/Report/report.pdf](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Future_of_Public_Interest_Journalism/PublicInterestJournalism/~/media/Committees/journalism_ctte/Report/report.pdf).

Google Analytics called News Consumer Insights, which is a tool that segments data into key audience groups so that media content creators can measure their respective engagement metrics.<sup>43</sup>

- **Driving referrals:** Google Search and Google News drive billions of visits a month to media content creators' sites for free. Both services are intended to help connect users with the sites of media content creators. Google News helps refer traffic and readership to more than 1,000 Australian news media content creators for free.<sup>44</sup>

**Mobile online technologies:** As users have embraced mobile technologies, an increasing amount of digital advertising is directed at mobile devices. To support media content creators, Google has collaboratively developed open-source Accelerated Mobile Pages technology as a means of optimising news content for mobile viewing. Accelerated Mobile Pages allow readers to access news on a mobile phone much faster, a key criterion to maintain reader engagement and earn advertising revenues.

**Supporting local content:** In 2017, Google introduced a "local" tab to the desktop user interface of Google News in an effort to showcase local media content creators.

### C. Google builds user trust by delivering relevant and high-quality results to users

Google strives to provide users with access to relevant information (*i.e.*, information that best matches their search query) from the most reliable sources. Google strongly believes that an open Internet and low-cost access to online distribution of content benefits users. However, some sites seek to attract users by distributing blatantly misleading, low quality, offensive or false information.

The explosion of news content online has introduced a greater level of difficulty for users to differentiate and filter between high- and low-quality news. These issues involving journalistic quality are not new, and have not arisen purely from the Internet.<sup>45</sup> Regardless, user concerns about the quality and integrity of the content they are accessing is a genuine concern that is shared by Google and is an issue that Google is seeking to address.

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<sup>43</sup> Google, News Consumer Insights,

[https://datastudio.google.com/reporting/1HG1qMz85\\_8zIbKDzIabx0UXttzdToOAx/page/0xLO](https://datastudio.google.com/reporting/1HG1qMz85_8zIbKDzIabx0UXttzdToOAx/page/0xLO).

<sup>44</sup> Some news media content creators have sought payments from Google and other news aggregation sites. In Spain, the government introduced ancillary copyright provisions in 2015 that require news aggregators to pay a fee (distributed to news publishers) when they display snippets of content that link to news articles. A recent study commissioned by the Spanish Association of Publishers of Periodical Publications found that the imposition of this fee caused aggregators to withdraw their services and resulted in lost traffic and ad revenues, primarily impacting smaller news sites. Dr. Pedro Posada de la Concha, Alberto Gutiérrez García and Javier Coronado Saleh, *Impact on Competition and on Free Market of the Google Tax or AEDE Fee* (2017 translation to English), [http://www.aepp.com/pdf/Informe\\_NERA\\_para\\_AEPP\\_%28INGLES%29.pdf](http://www.aepp.com/pdf/Informe_NERA_para_AEPP_%28INGLES%29.pdf) ("As a result of the fee, online publishers, especially small ones, stop attracting significant advertising revenues ... The fee also has a negative impact for consumers, due to the reduction in the consumption of news and the increase in search time; This has also a negative impact for advertisers, due to greater concentration in the advertising market, for example, for the loss of specialized channels").

<sup>45</sup> James W Cortada, *How new is "fake news"?* (Mar. 23, 2017), Oxford Univ. Press Blog, <https://blog.oup.com/2017/03/fake-news-trump-jackson-jefferson/>.

Consequently, Google has taken a number of actions to help users find high quality content online:

- In relation to Google Search, Google is constantly seeking to improve algorithms to provide users with access to relevant information from the most reliable sources. Google is strengthening and updating its ranking algorithms so as to surface more authoritative results. Google News aims to show quality journalistic content in response to users' news searches.
- Google has collaborated with news organisations to make content from trusted news sources more easily discoverable through Google Search and Google News, and to help Australian media content creators integrate new technology and innovative tools into their work through Google's News Lab<sup>46</sup> and the First Draft Coalition (of which Google is a founding member). The First Draft Coalition is dedicated to addressing challenges related to trust and truth. This project includes training for journalists and CrossCheck, which promotes collaboration between journalists from different agencies and was used to cross check claims made in the lead up to the French election.<sup>47</sup> ABC and Fairfax are members, and the Coalition provides training on the latest digital tools and tactics to fact check and verify online content.
- Google has introduced fact check labels to Google Search and Google News to allow media content creators to highlight fact checked content, which helped to support the work of the fact-checking community.<sup>48</sup>
- Google has developed various programs to protect against cyber-security threats.<sup>49</sup>
- Google has provided more ways to submit feedback about potentially offensive content in Autocomplete predictions and in Featured Snippets, as well as ways for users to flag suspicious sites.

#### D. Google builds user trust through privacy safeguards

Google works to build user trust by providing trustworthy results. Google also works to build user trust through a longstanding and strong commitment to protect privacy and provide users with transparency and controls over the collection and use of their information in its services.

- Google's privacy policy<sup>50</sup> explains what information we collect, why we collect it, and how users can update, manage, export, and delete their information.
- Google also provides its users with the ability to adjust their privacy settings to control what information it collects and how that information is used, including the option to update, download,

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<sup>46</sup> Google News Lab, <https://newsinitiative.withgoogle.com/google-news-lab>.

<sup>47</sup> First Draft Coalition, Fieldwork, CrossCheck, <https://firstdraftnews.org/project/crosscheck/>.

<sup>48</sup> Eur. Comm'n, A multi-dimensional approach to disinformation: Report of the independent High level Group on fake news and online disinformation (Mar. 2018), at 15, [http://ec.europa.eu/newsroom/dae/document.cfm?doc\\_id=50271](http://ec.europa.eu/newsroom/dae/document.cfm?doc_id=50271); See also, the comments of Jason Pellegrino in Austl. S. Rep., Select Committee on the Future of Public Interest Journalism (Feb. 2018), at 69, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Future\\_of\\_Public\\_Interest\\_Journalism/PublicInterestJournalism/~media/Committees/journalism\\_ctte/Report/report.pdf](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Future_of_Public_Interest_Journalism/PublicInterestJournalism/~media/Committees/journalism_ctte/Report/report.pdf).

<sup>49</sup> Eur. Comm'n, A multi-dimensional approach to disinformation: Report of the independent High level Group on fake news and online disinformation (Mar. 2018), at 15, [http://ec.europa.eu/newsroom/dae/document.cfm?doc\\_id=50271](http://ec.europa.eu/newsroom/dae/document.cfm?doc_id=50271).

<sup>50</sup> Google, Privacy Policy, <https://www.google.com/policies/privacy/>.

delete, export, or remove their data. Google empowers users to control how their data is being used by Google through the MyAccount website.<sup>51</sup> In 2017, Australians visited [myaccount.google.com](https://myaccount.google.com) more than 22 million times.

- Importantly, Google does not sell personal information to third parties.<sup>52</sup>

## Conclusion

Google acknowledges that as the Internet has become an increasingly important channel for the distribution and consumption of news, it has created many benefits for users, advertisers and media content creators, but does present some challenges for traditional news publishers and media organisations. We appreciate the issues and concerns under consideration in the Digital Platforms Inquiry, and we thank the ACCC for the opportunity to engage on these important issues throughout this inquiry.

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<sup>51</sup> See, Google, My Account, <https://myaccount.google.com/>.

<sup>52</sup> The Issues Paper asks whether “*the collection of data [is] part of the effective price paid by consumers for use of the digital platforms.*” There are many ways in which data is not like currency. In a literal sense, once currency is spent it cannot be spent again, whereas users can share information with as many apps and services as they choose, including websites and apps from news content creators. Data is also unlike currency in the sense that data can improve the product provided. Google uses data to improve its products and services to make them better for users. For example, Google Maps uses anonymous data to route Maps users around traffic accidents, and Google Search uses aggregated query data to provide autocomplete suggestions. See, Your Data, *We want you to understand what data we collect and use*, [https://privacy.google.com/your-data.html?modal\\_active=your-data-proof-overlay](https://privacy.google.com/your-data.html?modal_active=your-data-proof-overlay).