I. Introduction

Google thanks the ACCC for the opportunity to provide further comments to inform and assist participants engaged in its Digital Platforms Inquiry. Further to our initial submission of 20 April 2018 and the comments raised at the 16 August 2018 Industry Forum, this brief response addresses:

1. How Google Search benefits users, advertisers and publishers.
2. Google’s incentives to be transparent about how its search algorithms work.
3. The highly competitive landscape in which Google’s advertising technologies compete.
4. Early proposals for regulatory reform arising through the Inquiry.

II. Google Search

Google Search is a two-sided business that serves users and advertisers. On one side of the business Google strives to provide users with relevant and useful search results at no charge. Google does not accept payment from websites to be included in or ranked highly in Google’s search results (sometimes called “organic” search results). Google’s commercial success is largely attributable to its focus on providing high-quality search results to users. Google’s automated algorithms quickly identify relevant web pages from the billions of pages in Google’s index that Google displays on its search page as clickable blue links.

On the other side of the business are advertisers. In response to some user queries, Google displays search advertisements at the top, right side, and bottom of the page from advertisers that want to reach users whose search queries are related to their products and services. They are clearly labeled as “Ads” or “Sponsored” and do not influence the organic search results. Google’s ad business provides a cost effective and efficient option for larger established companies as well as smaller companies and startups to promote their products and services to a wider and more relevant audience. Google uses ad revenues to fund innovation and product development. Search advertising makes up a large majority of Google’s ad revenues, including in Australia.

Google’s business model therefore centres on making its search results as relevant and useful as possible for users, which in turn attracts advertisers to its search business. Google’s interest in making relevant and useful information available is also often aligned with the interests of online publishers. Although Google designs its search results for users, sites that rank highly in Google’s results often benefit from Google Search when users click through to their websites. Last year Google sent more than 2 billion visits to Australian news websites.
A. **Google Search Faces Extensive Competition on Both Sides of its Business**

Google was founded on a mission to organise online information and make it accessible and useful. However, Search faces competition from a number of directions. For this reason, Google is continuously innovating and improving its search results and advertising products to compete against the numerous alternatives available to users and advertisers.

When users look for information online they turn to a variety of sources depending on the type of information they seek. For every type of query on Google Search there are many other sites that users can access for free and without friction to find the answers, including other search engines (such as Bing or DuckDuckGo), travel sites (such as Webjet, Expedia, Trivago or Wotif), local search sites (True Local, Yellow Pages), retailer sites, specialised search sites (Carsales, Catch or Amazon, Seek or Realestate.com.au), social networks (Facebook, Twitter, Snapchat), and a multitude of mobile applications, which enable users to find online content directly, without ever interfacing with a web browser. Google competes with all of these sites for users, when those users are considering different types of queries.

Google also faces intense competition when it comes to its advertising services. Advertisers have a large number of choices as to where and how to advertise their products and services. Firms typically allocate their ad spend across different ad types, both online and offline, by using sophisticated tools to measure return on investment.¹ Technological advancements in ad measurement and targeting have created increased competition among different ad formats. For example, Seven, Nine and MCN jointly launched an addressable TV advertising solution with granular targeting capabilities, to compete head to head with digital ad formats.

For any particular ad format, there are typically many different options for advertisers. For example, there are online companies offering search advertising beyond Google, including not only general search engines like Bing and Yahoo! but also a host of specialised search sites such as Amazon, Gumtree, Domain, Carsales.com, eBay and social networks like Facebook for shopping / product searches; Expedia, Stayz, Travelocity, TripAdvisor and Travelzoo for travel (hotel and flight) searches; Opentable, Dimmi, Square and many similar popular country-specific platforms for local restaurant or retail searches. Similarly, there are countless online platforms, websites and mobile applications, as well as traditional TV media, showing targetable and measurable video advertising.

B. **Google Search and Google’s Relationship with News Sites**

Some submissions to the ACCC have suggested that Google (i) unfairly profits from displaying links to news sites in its search results, (ii) favours news sites that provide free content over those that provide content with a subscription, or (iii) displays snippets of news articles (typically 1-2 lines of text) in its results so that users do not click on links to news articles. Aside from

¹ See, e.g., Advertising Budget, Inc.com, [http://www.inc.com/encyclopedia/advertisingbudget.html](http://www.inc.com/encyclopedia/advertisingbudget.html) (last visited 17 September 2018) (“Once a business decides how much money it can allocate for advertising, it must then decide where it should spend that money. Certainly the options are many, including print media (newspapers, magazines, direct mail), radio, television (ranging from 30-second ads to 30-minute infomercials), and the Internet (search engine optimisation, banner, and pop-up ads).”).
misrepresenting the facts, these arguments do not take account of Google’s incentives as a search engine.

Google’s overriding interest is ensuring that when users search for news on Google they are directed to results that are high quality and relevant to their queries. Google Search and Google News do not publish their own news articles, and fulfill user needs by directing them to the properties of news publishers.\(^2\)

Google has no financial incentive to prevent users from clicking on links to news articles in response to their queries on Google Search and Google News. Because advertisers decide which search queries their ads will appear against, very few of them elect to advertise against queries that relate to news information. Indeed, news queries and results can be controversial and are often unrelated to the products and services that advertisers are selling. As such, in response to the majority of search queries for news content on Google Search, Google does not display ads.\(^3\) Furthermore, no ads appear in Google News or when users click on the News tab on the search page. Hence, news queries are largely not monetised.

Some submissions suggest that Google promotes news sites that provide free content over subscription-based sites because free sites monetise through ads (which Google is presumed to profit from). Google does not rank news sites based on their business model. Moreover, this argument ignores that many news sites display ads whether they charge a subscription or not (since ads may aid lower subscription costs). Furthermore, many news sites that charge subscriptions such as The Australian and The Australian Financial Review often feature prominently in Google’s search results and in Google News. In fact, as Google explained in its initial submission of 20 April 2018, Google is collaborating with many news publishers to help them attract more subscribers and monetise their properties.

Google’s display of snippets in its search results also reflects Google’s interest in providing better results for users. Google displays snippets for all of its search results (unless sites opt out) in order to provide users with a preview of what they will find if they click on the result.

Some comments to the ACCC suggest that Google’s display of snippets in Google Search (there are no snippets in Google News) is somehow intended to harm news sites. This argument is not supported by the facts. First, snippets on Google Search are designed to help users determine whether they want to click through to a website. This benefits users and publishers. With snippets, users are more likely to be interested in and engaged with the content when they click on links to articles. Conversely, without snippets, users could have a poor experience if they clicked on articles only to find the content did not match their needs or interests. Second, as noted above, news queries on Google Search are largely not monetised and Google has no financial incentive to keep users from clicking on news articles that match their interests. Similarly, Google does not increase its revenue by simply increasing the time users spend searching for news on Google because these queries alone do not generate revenue for Google, nor do ads generally appear against news-related queries (and, if an ad does appear, the user must click on the search ad for Google to generate revenue). Lastly, in Google’s experience, most publishers elect to have Google display snippets in Google Search.

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\(^2\) Unless otherwise noted, Google News refers to news.google.com.au and not the Google News app, which allows users to subscribe to and read articles within the app.

\(^3\) There are exceptions. A search for “latest iphone” could return news results as well as ads.
precisely because more users click through to their sites. Users quickly finding the news article they want and clicking through to it often indicates their satisfaction with their search experience, and as noted above, Google sends billions of users to news sites in Australia.

Of course, publishers can always opt out of the display of snippets on Google. News publishers have choices on how they wish to distribute their content, and consumers access news content through a variety of different means.4

Google’s interest in doing what is best for users is why Google is a successful search engine. While most queries on Google do not result in clicks on ads5 (and news queries often return no ads), only by providing relevant and useful results for all queries will Google succeed. In this respect news sites are no different than the many other types of sites that appear in Google’s search results.

At the same time, Google has been working with news publishers for many years to help them innovate in order to address the challenges posed by changing consumer behaviour and digitisation. Google is working with publishers in a number of ways, including by:

- helping to direct users to the properties of news publishers;
- working with news publishers to place ads on their websites, helping them to monetise their content, and by sharing at least 70% of that ad revenue with publishers when they display ads from Google;
- partnering with and directly supporting publishers to promote quality journalism online in the digital age, through the Google News Initiative and Google News Lab; and
- working on new technology, such as Accelerated Mobile Pages and Subscribe with Google, to help tackle the modern challenges of publishing online.

III. Google Search Algorithm Transparency

Certain comments suggest that Google does not provide enough information about how its algorithms work. These comments do not recognise that Google is constantly engaged in finding the right balance between providing transparency about how Search works while playing a cat and mouse game against sites that try to “game” Google’s algorithms without providing

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4 According to the News & Media Research Centre’s 2017 Digital News Report, in response to the question ‘which of these was the main way in which you came across news in the last week,’ Australian respondents selected: news websites/apps (29%); search engine (24%); social media (23%); and aggregator site/app (5%). Watkins et al, Digital News Report: Australia 2017, News & Media Research Centre, University of Canberra (2017), at 23, http://apo.org.au/system/files/95161/apo-nid95161-346236.pdf. In its survey of 70,000 consumers globally (including Australia), the 2017 Reuters Industry Digital News Report found that, while 25% of respondents selected search engines and 23% selected social media as their main way of coming across news in the last week, more respondents (32%) identified their main way of coming across news in the last week as being by directly accessing news websites and apps. Newman et al, Reuters Institute Digital News Report 2017, Reuters Institute for the Study of Journalism (2017), at 14, https://reutersinstitute.politics.ox.ac.uk/sites/default/files/Digital%20News%20Report%202017%20web_0.pdf.

5 Google only earns revenue in its Search business when users click on an ads (as opposed to being paid for displaying the ads).
any benefit to users. For this reason, while Google does not reveal the specific details of its algorithm changes, it provides extensive tools and tips to empower webmasters to manage their Search presence—including interactive websites, videos, starter guides, frequent blog posts, users forums and live expert support. For example:

- Google has online office hours during which webmasters can ask questions to Google employees and community experts.\(^6\)

- Google’s webmaster forums let webmasters ask for help from Google employees and experts all around the world. They currently cover 15 languages and host more than 50,000 conversations per year.\(^7\)

- Google publishes the 164-page guidelines\(^8\) used by Google’s global team of 10,000 raters to evaluate search results. These set forth in clear language the instructions raters are provided when they evaluate search results.

- Google provides a website describing How Search Works, and extensive tools and tips to help website owners manage their Search presence.\(^9\)

- Google also provides its Webmaster, Content and Quality guidelines to explain best practices and the types of techniques sites should avoid.\(^10\)

Google’s algorithms use various signals as a partial proxy for quality. If Google were to reveal the specifics of these signals, then sites would optimise for those signals without actually improving quality. Google has seen this occur over the years. For example, one of Google’s very first and most well known ranking signals was PageRank. PageRank counted links from one site to another as “votes” for the quality of the site receiving the link. Once sites understood this concept, sites began engaging in elaborate schemes to obtain links, often by paying for them, to game algorithms. Google had to take steps to detect these schemes. Of course, Google does not disclose how it detects these link schemes (which continue to this day) because that would enable sites to continue to game Google’s algorithms.

While some web publishers would like to better understand Google’s algorithms, and indeed the algorithms of many other technology providers, it is important to recognise the careful balance that must be struck between the interests of users, advertisers and publishers, and the associated need to protect the web against those who can and do continue to seek to game the system in their own interest.

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Google Faces Extensive Competition in the Sale of Display Ad Tech Solutions

Google’s display ad tech products help advertisers efficiently reach users interested in their products and services and also help publishers maximise the value they receive for selling advertising on their sites. Publishers and advertisers are not dependent on any of Google’s display ad tech products because there are numerous viable alternatives for each of them. Google has to compete for advertisers’ and publishers’ business every day:

- Publishers can turn to a multitude of popular supply-side ad servers, supply-side platforms (SSPs), ad networks and exchanges and data management platforms (DMPs) other than those offered by Google. Advertisers and media agencies can turn to numerous popular buy-side ad servers, demand-side platforms (DSPs), ad networks and exchanges and DMPs other than those offered by Google.

- Advertisers and publishers have differing preferences; some prefer sourcing multiple ad tech products from the same provider, while others prefer mixing and matching products from different providers. Advertisers and publishers often use multiple different ad tech vendors and solutions for the same purpose (so-called multi-homing). Indeed, they use solutions like DSPs and SSPs for the very purpose of buying and selling ad space across different ad networks and exchanges. Many advertisers and publishers even use multiple different DSPs and SSPs, respectively.

- As a result, the ad tech ecosystem is vibrant and diverse, featuring both vendors that are successful offering a suite of ad tech solutions (e.g., Google, AppNexus, Adobe, Verizon’s Oath, AdForm) and vendors that are successful specialising in particular types of ad tech solutions (e.g., The Trade Desk, MediaMath, Dataxu, Sizmek, Criteo, AdSlot, Telaria, Amobee, MoPub).

There also continues to be significant new entry, expansion and innovation in display ad tech. For example:

- While Amazon only recently entered, in short order its advertiser and publisher ad tech solutions (Amazon Advertising Platform, Amazon Transparent Marketplace, Amazon Shopping Insights, Amazon Unified Marketplace) have become highly popular.

- Facebook only recently launched in 2014 its highly popular Facebook Audience Network.

- Microsoft also recently significantly increased its investment in ad tech with the launch of its AI-powered ad network, the Microsoft Audience Network.

- Other significant entry and investment have come from the telecommunications and cable industries, such as Verizon’s acquisitions of AOL and Yahoo! and subsequent formation of Oath Ad Platforms, AT&T’s recently announced acquisition of AppNexus,

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11 For example, the Trade Desk is repeatedly a top ranked DSP and experienced 52% revenue growth in 2017: [https://seekingalpha.com/article/4153379-trade-desk-competitive-landscape](https://seekingalpha.com/article/4153379-trade-desk-competitive-landscape); MediaMath similarly provides services for major clients like Coca-Cola and has recently been among the list of America’s fastest growing companies: [http://www.mediamath.com/blog/wp-content/uploads/2016/12/Coke_MediaCom_CaseStudy.pdf](http://www.mediamath.com/blog/wp-content/uploads/2016/12/Coke_MediaCom_CaseStudy.pdf).
and the recent joint venture among Seven, Nine and MCN to launch an addressable TV advertising solution with granular targeting capabilities.

In this competitive and dynamic environment advertisers and publishers have many existing options while new and innovative players and products emerge constantly. Google accordingly invests in its ad tech solutions to ensure that they remain competitive, are easy to use, and interoperable with third party ad tech products.

V. Comments on Proposals for Reform

As a general principle, any new regulatory proposals must be in response to a clearly articulated and substantiated concern, and must be capable of producing a solution that benefits Australian users and businesses. The risks associated with unwarranted Government intervention in the digital economy can be particularly high, because it is inherently dynamic and competition and user utility is driven by creativity and innovation. Below we address the proposals for an “Algorithm Review Board” and to regulate Google as a news publisher.

A. An Algorithm Review Board is Unnecessary and Ill-Conceived

Based on allegations that Google is not sufficiently transparent about how its algorithms work (as discussed above), some comments to the ACCC propose that an independent “Algorithm Review Board” be established to review Google’s search algorithms. The specific nature of this proposal remains unclear, however the proposal is unnecessary and raises the potential for abuse and undesirable outcomes for stakeholders including users, publishers and platforms.

The proposal is unnecessary because Google has no incentive to change its algorithms to harm news sites. Google’s focus is in providing users with the most relevant results in response to their queries, including for news. As is obvious, not every news article or news site can appear at the top of the search results. No matter what changes Google makes, some web pages will gain traffic while others will lose traffic. As explained above, Google already has strong incentives to disclose information about its algorithms where the disclosure leads sites to improve their quality. However, where disclosure will enable sites to game Google’s algorithms, then disclosure can degrade search result quality. Those advocating for a Review Board have not explained why Google would withhold information that would help sites improve their quality, unless it opened vulnerabilities for bad actors to abuse algorithms, or involved ‘picking winners’ by revealing information only to select entities. The fact that Google sends many users to news sites—last year Google sent more than 2 billion visits to Australian news websites—suggests that Google is not attempting to reduce referral traffic to news publishers and has no incentive to do so.

The proposal also raises a number of complex questions with the potential for undesirable outcomes. Setting aside that mandating disclosure of Google’s algorithms would conflict with long-standing legal protections for trade secrets and other intellectual property, there are serious questions as to how such a Review Board would operate and its purpose:

- What evidence has been set forth that a Review Board would benefit users by improving search quality?
- On what basis would the Review Board challenge Google’s algorithm changes?
● How would the Review Board require Google to disclose more about how its algorithms work without risking the gaming of Google’s algorithms? And if such disclosures were not made, then how would the Review Board increase transparency?

● The Review Board could be exploited by rivals and incumbents to tie Google up in endless exposition of the complexities of its algorithms, while slowing the launch of new changes (of which there are hundreds per year) in order to degrade Google’s search results.

● On what basis would the scope of the Review Board be limited to Google and not expanded to any platform that provides user traffic to news sites?

Proponents of the Algorithm Review Board have not addressed these multifaceted questions and potential consequences, nor have they specifically explained how their proposal would provide enhanced outcomes for users, advertisers, publishers, digital platforms or other stakeholders.

B. Search Engines Are Not News Publishers

Proposals that Google Search be treated like or regulated as a news publisher and require Google to verify the accuracy and legality of news content online are misguided.

Google does not author news articles. Google helps users find news articles. Publishers are, and should be, responsible for their own content—which they create and edit. The authors of news content and the publications they work for are by far the best situated to fact-check content and ensure that it is lawful.

Google cannot serve as a fact-checker for every news article on the Internet. Google’s search engine systems have seen over 130 trillion web addresses. The web is constantly evolving with hundreds of new web pages published every second. Google Search receives trillions of search queries each year. While it is true that Google’s algorithms determine the order in which links to news sites are displayed, Google does not manually “curate” news articles.

Even if Google were able to verify the accuracy and legality of news publisher content in some way, requiring it to do so could create a number of undesirable outcomes. First, publishers’ judgment about the content of their articles would be subject to second-guessing by Google. There is no reason to believe that journalism would improve if publishers were subject to additional editorial scrutiny from Google. If Google resolved disagreements by refusing to link to certain articles for fear of liability, then Google could be subjected to claims of censorship. This is a real concern as Google might be incentivised to act cautiously and remove content, rather than risk penalties. This would result in less diversity of content for users, and would impact the dissemination of new and creative ideas.

Calls for increased regulation in this space have failed to address these complex issues, and have provided no evidence to demonstrate that the proposals would benefit users, advertisers, publishers, digital platforms, or societal debates.

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Google understands and appreciates both the challenges and opportunities that the Internet has created and continues to create. This is a highly competitive and innovative area for players to enter and operate in. Calls for increased regulation or scrutiny should be careful not to stifle these developments, and require careful consideration to avoid undesirable outcomes to the detriment of users, publishers, advertisers, platforms and other stakeholders.

19 October 2018