



1 February 2021

Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

By email to economics.sen@aph.gov.au

Dear Senators,

Thank you again for the opportunity to appear at the Committee hearing on 22 January 2021. At the hearing, we took the following questions on notice:

1. Google to provide its proposed legislative amendments to the Code

We attach a table of the amendments we propose be made to the bill. These amendments to the Code would ensure a framework in which Google can reach commercial agreements to pay publishers, and is held accountable by a standard binding arbitration model based on comparables, without undermining the ability to link freely – a fundamental principle of Google Search, and of the web.

2. Does Google's experiment affect the ABC?

Google regularly runs large numbers of experiments around the world. In this case, in order to better understand the potential impact of the proposed Code, Google is running some short experiments, including a short experiment that reaches a 1% random sample of users in Australia, for the removal of all potential RNB websites, including abc.com.au.

Our experiment does not prevent anyone from accessing news businesses' websites. Users can continue to navigate to those websites directly, by using the newspaper's app, or going via any path other than Google Search (such as Google News). The ACCC found that only 26% of traffic to news publishers' websites is referred through Google Search. The ACCC also found that 55% of Australians use print or broadcast formats as their main source of news. And the 99% of

Australian users who were not in this experiment could find abc.com.au and other websites in Google Search results as normal.

In addition, all users continue to have access, for example, to official health information concerning COVID-19 through Google Search. The experiment does not remove results that link to official Government departments and agencies (e.g., health.gov.au).

3. How much revenue does Google earn from YouTube?

Google reports revenue for YouTube at a global level. In 2019, YouTube Ads revenue represented 9.4% of Alphabet revenue.

YouTube has existing commercial arrangements with creators, including news businesses, sharing the majority of revenue generated from advertising and subscriptions on YouTube with creators.

4. Please provide further detail about the News Showcase product

In October 2020, Google launched News Showcase, a global product and paid licensing program that increases the value that Google can share with publishers. Google has already made an initial commitment of AU\$1.38 billion (US\$1 billion) over three years to News Showcase globally.

News Showcase has launched in Brazil and Germany and we have already signed deals with nearly 450 publications globally, including seven publishers in Australia and many others in France, India, Argentina, Canada and the UK.

We have had over 50 discussions about News Showcase with Australian publishers, Treasury, and the ACCC starting in February last year and involving local teams and US-based product managers. We have received positive feedback on the product, with publishers valuing the enhanced branding and control the product provides. Feedback on the contract terms has also been positive, with only minor “redlines” on all progressed deals. Feedback on financial terms has varied. Signed partners were satisfied with the negotiated terms and disappointed to see the product go on hold as a result of the pendency of the Code. Other news publishers have made unrealistic counter offers (and even significantly increased their counter-offers to commercially infeasible levels), after seeing a draft Code with arbitration clauses heavily biased in favour of publishers.

How does it work?

News Showcase deals provide that Google will pay publishers for their editorial expertise in curating and highlighting the articles and perspectives publishers want to highlight for current and potential audiences. Google also buys ‘beyond-the-paywall’ access for users to demonstrate the value of news subscriptions. Publishers present panels of news that appear daily on Google services: initially Discover and Google News – and in time an integration into Google Search. The panels are customisable spaces that bear the publisher’s logo and styling, and contain more substantial news and pictorial content than currently appears in Search results. Users who click on an article in a News Showcase panel are taken to the relevant publisher’s site, where (if the publisher operates a paywall) Google pays the publisher to give the user limited access to a number of articles.

This program was co-developed with publishers and is designed to drive traffic, lift subscriptions, and generate revenue for publishers. That is all in addition to the free traffic we provide in Search today. News Showcase is not a pay-per-click model; publishers get paid a monthly fee and can also generate additional revenue from referral traffic, advertising, and new subscribers.

News Showcase has been developed in response to publisher feedback that they want the ability to enhance editorial storytelling. News Showcase gives them the opportunity to do that by curating content on Google services at scale. In panels, news publishers have the opportunity to showcase their branding, editorial voice, and expertise. This program is a significant step forward in how we will support the creation of this kind of journalism.

Deals in Australia and interaction with the Code

News Showcase has thus far signed up seven Australian news publishers – both traditional print businesses and “digital natives” – covering 25 regional and digital titles. These signed deals remain in place and we have been paying publishers 25% of their monthly amount since signing, as per our obligations under the contracts.

We hope that News Showcase could work within the Code, acting as the vehicle for us to pay Australian news businesses to license their editorial expertise and provide beyond-paywall access to news content. While we have active discussions underway, negotiating deals with publishers has proved challenging as the draft Code’s unworkable arbitration model is heavily skewed in favour of publishers and incentivises them to wait for arbitration instead of entering into commercial arrangements.

Large Australian publishers were some of the first Google engaged with when we brought News Showcase to market in 2020, and we have engaged with publishers of all sizes throughout the country.

We also attach a document with additional information about News Showcase.

You also asked some additional questions on 28 January 2021. We agreed with you we would answer them by 5 February 2021.

Yours faithfully,

Lucinda Longcroft