

Google - Follow Up Written Evidence to HoL Inquiry into Future of Journalism (Revised) 8 July 2020

1. Please justify your claim that Google does not make editorial decisions.

We were surprised to hear you say: “we don’t make editorial decisions”, despite acknowledging that “the algorithm uses a range of factors” to rank results. The factors used by algorithms and how they are weighted seem to be clearly a matter of human – that is to say, editorial – value judgement.

For example, we heard from DMG Media that: “over the previous six years Google consistently cut MailOnline’s search visibility, so that it now stands at one tenth of the Guardian’s. This is despite the fact that research by the Reuters Institute showed that during the 2019 election campaign the public spent three times as much time on the MailOnline website (21 percent of total) as on the Guardian’s (7 per cent).”

Whether or not these changes to algorithms should be considered desirable, in what way do they not fit your own definition of an editorial judgement, as “a human decision based on a particular preference, or view, or outlook”?

When Google ranks news content, no individual or set of individuals determines the ranking of any particular website. The algorithm is applied universally to the corpus of news pages online and ranks them accordingly.

Google’s News algorithms are **not** designed to influence ranking based on a point of view on issues. While some personalised news experiences are designed to connect users with stories they may be interested in based, for example on topics like ‘cricket’ or ‘technology news’, none of Google’s systems endeavor to assess a publisher’s—or a user’s—ideological or political leanings. For example, if a user were to search for “Sunday opening hours” the news stories Google’s algorithm returns include stories taking differing positions on this topic. This contrasts with a news publication, which might take a specific point of view. News publishers also decide which stories are worthy of their readers’ attention, whereas Google’s Search and News products help users find articles on any topic.

As discussed in the evidence session, a range of factors are included in the way the algorithm ranks stories. These include, among others:

- **Relevance:** Relevance to a search term is a key factor in determining what a user sees for query-based experiences like “Top stories” in Google Search. A news article is relevant if it has the information a user is looking for. The most basic signal that information is relevant is when an article contains the same keywords as a user’s search.
- **Prominence:** Prominence is a way to identify noteworthy news stories. For example, Google’s News algorithms take into account if publishers are writing a lot of articles

about a particular news story and are featuring that coverage prominently on their sites, as well as how much a story or article is trending.

- **Authoritativeness:** Authoritativeness signals help prioritise high-quality information from the most reliable sources available. To do this, Google's systems are designed to identify signals that can help determine which pages demonstrate expertise, authoritativeness and trustworthiness on a given topic. Those signals can include whether other people value the source for similar queries or whether other prominent websites on the subject link to the story.
- **Freshness:** Freshness refers to how recently the article was published and how important to this story having the freshest content is. When news is happening, Google's algorithms may determine that an article with up-to-date information is likely more useful than an older one.
- **Location:** Location may influence which article a user sees. Google uses a user's location to help find relevant content, such as local news stories in Google News. If a user is in the United States and searches for "football," Google will most likely show results about American football. If a user searches for "football" in the UK, Google will likely rank results about the game as it is known here.
- **Usability:** Usability assesses how easy it is to view content on a site, such as whether the site appears correctly in different browsers; whether it is designed for all device types and sizes, including desktops, tablets, and smartphones; and whether the page loading times work well for users with slow Internet connections.

More detail on Google's approach to news content can be found on the Google News Initiative's "How News Works" site.¹

Google also recognises the value of original reporting given the significant time, effort and resources required by the publisher. Some stories can be both critically important in the impact they can have on our world and difficult to put together, requiring reporters to engage in deep investigative pursuits to dig up facts and sources. Consequently, Google updated its algorithms to give original reporting due prominence. Such articles may stay in a highly visible position for longer. This prominence allows users to view the original reporting while also looking at more recent articles alongside it.²

¹ Google: Surfacing useful and relevant content, accessible at: <https://newsinitiative.withgoogle.com/hownewsworks/approach/surfacing-useful-and-relevant-content/>

² Google (2019) Elevating original reporting in Search, accessible at: <https://www.blog.google/products/search/original-reporting/>

2. Please provide evidence for your claim that “Google makes very small amounts of money on news-related queries”.

While explaining why Google refuses to pay publishers for the use of their content you told us that “Google makes very small amounts of money on news-related queries”. Please could you quantify this and provide evidence, including on the value Google derives from news due to advertising and data on consumers?

We note the argument made by David Dinsmore, COO of News UK and former Chair of the News Media Association, that platforms “are not just monetising the story we publish ... Our content is helping drive the hugely valuable data which they are using to inform the ad-sell to their clients.”

Google does not run ads on Google News or the news results tab on Google Search. This means Google is not monetising content on these news-specific channels.

Additionally, only a tiny fraction of news-related search terms are commercial in their intent. Independent research conducted by Sistrix in 2019 found that 0.11% of commercial search queries can be characterised as journalistic in nature.³ As such, this shows that the set of news-related search terms with possible economic value to Google is very small.

These two points illustrate:

1. Google’s intention not to monetise its channels specifically dedicated to news content.
2. The inherent limitation of the economic value of news-related search queries.

The indirect value Google gets from news-related content is also small. Users come to Google for many things, whether it's 'how to' videos, recipes, sport, weather, outfit ideas, or home insurance. News is a very small part of the content available online, and therefore the content indexed by Google Search, and represents only a tiny number of queries. Research conducted by Google Australia found that news-related queries account for just under 2 percent of total queries on Google Search.⁴

The assertion that Google “refuses” to pay publishers for the use of their content is an incorrect premise. In fact, in exchange for the limited use of short extracts of publisher content in Search and News, Google sends valuable referral traffic to publishers’ sites. The value of that traffic is substantial. Research by Deloitte found that web-referral traffic is worth an estimated €614 million a year to UK news publishers, the highest of the four European markets in the study.⁵

³ Sistrix (2019) Copyright Law for Press Publishers in the EU: Journalistic content often irrelevant for Google, accessible at: <https://www.sistrix.com/blog/copyright-law-for-press-publishers-in-the-eu-journalistic-content-often-irrelevant-for-google/>

⁴ Google Australia (2020) A fact-based discussion about news online, accessible at: <https://australia.googleblog.com/2020/05/a-fact-based-discussion-about-news.html>

⁵ Deloitte (2019) The Impact of Web Traffic on Revenues of Traditional Newspaper Publishers, accessible at: <https://www2.deloitte.com/content/dam/Deloitte/es/Documents/financial-advisory/The-impact-of-web-traffic-on-revenues-of-traditional-newspaper-publishers.pdf>

Every click from a Google user on a news publisher's website is an opportunity for the publisher to monetise through subscriptions and/or ad impressions.

Publishers also retain control over how, and if, they want their content to appear on Google. Any publisher that does not want extracts of its content used to promote its links in Search results can remove these extracts or control their size⁶, and their site will continue to be linked to in Search and News and ranked according to the same rules as publishers who choose to enable short extracts.

With regards to advertising, publishers keep the vast majority of the revenue share when they use our advertising products to monetise the inventory on their own websites. A recent analysis by Google of 100 news publishers globally with the highest programmatic revenue generated in Google Ad Manager found that, on average, news publishers keep over 95% of that digital advertising revenue.⁷

Additionally, since the hearing Google has announced a new licensing programme to pay publishers for a new Google News and Discover experience launching later this year.⁸ This will build on the value Google provides through Search and News, and the work of the Google News Initiative. Where available, Google will also offer to pay for free access for users to read paywalled articles on a publishers site. The ambition is to let paywalled publishers grow their audiences and subscribers, and to create an opportunity for people to read content they might not ordinarily see. To date, Google has signed partnerships with local and national publications in Germany, Australia and Brazil, and will shortly be starting discussions in the UK.

Is it Google's position that this \$300 million contribution is greater than the value Google derives from news?

Yes, Google believes this investment in supporting the news ecosystem is greater than the economic value the company derives from news content.

Google also notes the £2 million pilot fund administered through Nesta, as recommended in the Cairncross Review. This is a welcome initiative and shares similar aims to the Google News Initiative. Google also notes that the Digital News Innovation Fund (part of the Google News Initiative) has disbursed nearly €15 million to UK projects, to date.

⁶ More information on these controls is available on Google's Webmaster Central Blog: <https://webmasters.googleblog.com/2019/09/more-controls-on-search.html>

⁷ Google (2020) A look at how news publishers make money with Ad Manager, accessible at: <https://blog.google/products/admanager/news-publishers-make-money-ad-manager>

⁸ Google (2020) A new licensing program to support the news industry, accessible at: <https://www.blog.google/outreach-initiatives/google-news-initiative/licensing-program-support-news-industry/>

3. If it is true that Google makes “very small amounts of money of news related queries”, how is that consistent with your claim that there is no imbalance of power between Google and publishers?

It is clear that publishers rely heavily on search – a market of which Google holds a share of approximately 90 per cent – for the distribution of their content. If, conversely, news is of little material value to Google, would it not be much easier for Google to walk away from news than for news publishers to walk away from Google?

When answering, please address written evidence from News UK that: “Google wrote to all French publishers in Autumn 2019 to request that they waive their right [to be paid for their content], as they would not pay. Those that did not accept the waiver, were threatened with the presentation of their content in search results being impacted. Fearing the impact to their businesses, as they were unable to collectively bargain, all publishers capitulated to Google’s demand.”

Do you deny that this is evidence of an imbalance of power?

The CMA’s Final Report notes that 25% of news publishers’ traffic comes from Google Search.⁹ We recognise that we have a common interest with news publishers in having a vibrant news ecosystem which is why we have for many years worked directly with publishers to support their transition to digital with product development, training and innovation funding. The value of news to Google is not about economics, it is about the societal contribution news plays in educating and informing citizens (our users), especially in supporting an informed democracy. As set out above, and in previous evidence to the committee, Google continues to invest in new ways to support journalism - not because we make money from it, but because we believe that everyone benefits from the contribution of high quality journalism to society.¹⁰

With regards to the quote from News UK’s written evidence, we believe this refers to the implementation of the European Copyright Directive (EUCD), which the French neighboring rights law brings into effect. Google does not recognise this characterisation of events.

It is important to note that the EUCD expressly states that rights holders have the option of “authorising the use of their works or other subject matter for free, including through non-exclusive free licenses for the benefit of any users.” The French neighboring rights law does not create a right to be paid, but rather a right to authorise or not authorise the use of the newly protected content on terms that are acceptable to the rightsholder.

Google did not ask for publishers to waive any right. To the contrary, Google asked whether publishers would like to *exercise* their neighboring rights to authorise the use of short extracts of

⁹ CMA (2020) Online Platforms and Digital Advertising Market Study Final Report, p.308; accessible at: https://assets.publishing.service.gov.uk/media/5efc57ed3a6f4023d242ed56/Final_report_.pdf

¹⁰ Google (2020) Setting the Record Straight on News, accessible at: <https://blog.google/outreach-initiatives/google-news-initiative/setting-record-straight-news/>

their articles to be used as short previews of what content a user will find behind the link - in other words, used to make their search results more appealing to users. Publishers had the choice then, as they have the choice today, to grant or deny that permission. Google did not penalise (or threaten to penalise) any publisher who chose to withhold authorisation; those publishers continue to rank in search results according to the same rules as all other publishers.

To be compliant with the law, the default setting in France is that only a headline link for news publishers will appear unless they choose to give us permission to provide more in the preview, such as thumbnail, preview or video. To respond to the intention of the neighboring rights law, and to give publishers even greater control over the presentation of their content in Search and News, Google introduced more granular settings that allow publishers to specify a maximum length of their text extracts, choose the size of their image extracts, and block parts of their pages from being used in extracts while allowing extracts from other parts of the page. They can choose different settings for different pages, so they can test what works for them.

In sum, publishers decide whether and to what extent Google uses their content. The vast majority of them choose to permit text and image extracts in Search and News because these previews provide benefits to them and to our users. If publishers wish to do so, they can turn off previews with no warning to Google.

Google notes the reference above to the announcement of the forthcoming licensing programme to support news publishers, which will continue to give publishers control over how their content appears, while also providing an additional means of monetising their content online.¹¹

¹¹ See footnote 6

4. Please clarify the details of your communication with publishers.

During the evidence session, you told us: “We are always in discussions with publishers to help them monetise their content”. You also stated that: “Key to our approach is helping journalists adapt to these changes and these technologies”.

However, this is not consistent with what we have heard from publishers. For example, Peter Wright, Editor Emeritus of DMG Media, told us: “I know some of the small regional publishers quite well. They can’t even get Google to answer the phone to them. It’s not that easy if you’re us – but they just don’t get an answer at all.”

Similarly, written evidence from JPI Media asked for “much greater transparency” over algorithms and David Dinsmore, COO of News UK and former Chair of the News Media Association, told us: “in my experience of dealing with the platforms, you quickly discover that publishers are from Mars and platforms are from Venus.”

Please could you explain this discrepancy and provide details of the form your discussions take? Which roles from each organisation are in attendance and what is typically on the agenda? Do you also have similarly frequent discussions with smaller and local publishers?

As previously stated, Google is in frequent discussions with a range of publishers to help them monetise their content, use Google’s services more effectively and, through the Google News Initiative, develop innovative approaches that seek to build sustainable business models.

We do not recognise claims to the effect that it is challenging for certain publishers to engage with Google. All flagship publishers have dedicated account management teams at Google to support them and there is ongoing dialogue between organisations. To take a leading UK publisher as an example, there have been over 60 face to face or video interactions with the organisation since the start of 2020 - more than two a week - at all levels of both organisations, including an executive engagement between both CEOs, engagements with the COO and weekly meetings at a working level. This is similar to engagement across other national and regional publishers and underlines Google’s ongoing commitment to working with news partners.

Google has similar interactions with a range of local publishers. UK organisations that Google has had senior level engagement with in 2020 include: Newsquest, Baylis Media, Archant, JPI Media, DC Thomson and Reach.

Google also works with a number of local publishers through the Google News Initiative and other channels. Notable initiatives in 2020 include:

- **DC Thomson and Table Stakes:** WAN-IFRA’s Table Stakes programme is a 12 month change management course for publishers, sponsored exclusively by Google.¹² DC

¹² For more information on Table Stakes see <https://www.tablestakes-europe.org/>

Thomson is one of 14 news organisations chosen in Europe to join this programme and announced that two senior editors would lead the Table Stakes engagement, heading up a newly created project team to manage the organisation's transformation to a reader revenue model.

- **Archant and Project Neon:** part of the Google News Initiative, Google and Archant are working on a three year joint experiment to rethink local news from every perspective, from storytelling to layout, from business models to website design, seeking a sustainable business model. Neon will identify three UK communities and test new models in each. Google is providing funding and technical expertise to de-risk the process, will own no IP nor has any editorial control. Google will share any findings with the wider news ecosystem. The first experiment has been set up in Peterborough.¹³
- **Google's Journalism Emergency Relief Fund:** This has provided over £500,000 in grants to more than 100 small news organisations in the UK with a focus on local news. This unprecedented measure was set up to support smaller publishers through the impact of the COVID crisis.

¹³ Matt Kelly, Chief Content Officer, Archant (2019) "An experimental lab for local news in the U.K.", accessible at: <https://www.blog.google/outreach-initiatives/google-news-initiative/project-neon-archant/>

5. Do you accept that being present at multiple points in the advertising value chain gives Google unprecedented and anti-competitive market power?

Please respond to the argument made by Professor Damien Geradin and Dimitrios Katsifis in their response to the CMA's interim report that: "Google has an incentive to use its role in the sell-side and as the auction venue to depress prices, so that it can enlarge its own margin on the buy-side." They add: "We are not aware of any other market where one company would be allowed to perform these multiple roles." When questioned, you were also unable to name any other market in which this would be allowed. Please could you tell us whether any markets have since come to your attention?

In chapter 5 of the final report of its market study into online platforms and digital advertising, the CMA found that "the fees charged by Google for its intermediation services, both on the buy- and on the sell-side, are similar to those of its competitors. This is the case also for Google Ads, which does not charge an explicit fee to advertisers".¹⁴

Additionally, the CMA examined "concerns from some publishers that Google (and other ad tech intermediaries) might be able to charge hidden fees, for example by taking an additional margin at points in the transaction chain". It found that "in transactions where both Google Ads and Ad Manager (AdX) are used, Google's overall take rate is approximately 30% of advertisers' spend...This is broadly in line with (or slightly lower than) our aggregate market-wide fee estimate".¹⁵ This is in-line with Google's own recent analysis, which found that across all publishers using Google Ad Manager, publishers kept over 69% of the revenue generated.¹⁶

Further CMA analysis to test whether Google was systematically able to win with a lower margin over the second highest bid, found that "Google's average winning margin was similar to that of non-Google DSPs".¹⁷ The CMA concludes in this section that their evidence "does not indicate that Google is currently extracting significant hidden fees".¹⁸

In their paper, "Clearing Up Misconceptions about Google's Ad Tech Business", Daniel S. Bitton and Stephen Lewis respond directly to research carried out by Prof Geradin and Dimitrios Katsifis, stressing the importance of balancing "the interests of all ecosystem participants". Specifically, they note:

As a search engine and vertically integrated ad tech provider, Google also has incentives to balance the interests of all ecosystem participants—users, publishers, and advertisers—and promote the long-term viability of the open Internet. That includes incentives to solve market externalities or "tragedy of the commons" problems such as

¹⁴ CMA (2020) Market Study into Online Platforms and Digital Advertising, Final Report, p.275 (hereafter "CMA Market Study Final Report")

¹⁵ Ibid.

¹⁶ Google (2020) How our display buying platforms share revenue with publishers, accessible at: <https://blog.google/products/admanager/display-buying-share-revenue-publishers>

¹⁷ CMA Market Study Final Report, p.275

¹⁸ Ibid.

when publishers adopt ad practices in search of incremental revenue for themselves... G[eradin]&K[atsifis]'s theories focus exclusively on the interests of publishers. As a result, they mistake conduct by Google that attempts to balance the interests of all ecosystem participants as anticompetitive.¹⁹

They continue that “any suggestion that Google is taking actions to constrain output, inflate prices or stifle innovation in ad tech warrant evaluation with a skeptical eye”, pointing to the fact that Google’s ad tech products allow advertisers and publishers to use Google’s products, as well of those of competitors together, in several ways. More specifically:

Google’s DV360 platform enables bidding on more than 80 non-Google exchanges, and Google’s Ad Manager ad server can be used by publishers to call any third-party vendor that provides an appropriate ad tag. Similarly, Google’s Ad Manager ad exchange can collect bids from countless ad buyers, including many third-party DSPs and ad networks. These ad buyers typically also bid on any number of other ad exchanges. Google’s Ad Manager also enables publishers to solicit real-time bids through some 20 different third-party ad exchanges in addition to Google’s own ad exchange. Google even enables publishers using its Ad Manager platform to only solicit bids through third-party ad exchanges and not through Google’s ad exchange. This fostering of interoperability and head-to-head competition with Google’s ad tech products is hard to square with a theory that Google is looking to destroy or weaken competition in ad tech.²⁰

The authors stress the critical importance of situating Google’s actions in the context of balancing both publisher *and* advertiser interests. So understood, these actions, such as supporting the adoption of ad blockers, fighting click fraud and the introduction of a unified first price auction (more below), are best seen as efforts to balance the long-term health of the ecosystem.

They conclude that “G&K’s theories seem to be largely, if not exclusively, focused on the short-term interests of certain types of publishers. As a result, they mistakenly characterize anything they perceive as adversely affecting publishers in the short term as anticompetitive”.²¹

Regarding analogous markets, Google works hard to balance the interests of advertisers and publishers, as the examples above, and also below, show. Google continues to work hard, through forums like these, industry engagement and direct publisher and customer communications to ensure increasing transparency and understanding on how these processes work.

¹⁹ Bitton, D. S. & Lewis, S. (2020) Clearing Up Misconceptions about Google’s Ad Tech Business, p. 4; accessible at: <https://www.accc.gov.au/system/files/Google%20-%20Report%20from%20Daniel%20Bitton%20and%20Stephen%20Lewis%20%285%20May%202020%29.pdf>

²⁰ Ibid. pp.11-12

²¹ Ibid. p.13

The Bitton and Lewis paper examines in detail a range of claims made by Geradin and Katsifis. For the benefit of the Committee, the paper is included alongside this submission. It is also pertinent to the response to question 6.

6. Why, in introducing uniform floor prices, have you removed publishers' ability to set per-buyer floors?

News publishers have expressed concern about Google's introduction of uniform floor prices as part of the 'Unified Auction' system. Previously, they were able to set higher floors for Google Ads advertisers as these advertisers tended to bid more – perhaps because Google's targeting capabilities offer more value for each impression. According to a White Paper released by Adomik in November 2019, Google's migration to the Unified Auction has led to a material decrease in the cost of advertising (CPMs).

We do not understand Google's justification to the CMA that “under the newly introduced unified first-price auction per-buyer floor are less relevant. [sic]” If uniform floors are not “relevant”, why has Google removed publishers' ability to use them rather than letting them stop using uniform floors of their own volition?

The unified first-price auction was introduced to balance the interests of all those in the advertising ecosystem by reducing complexity in the ad auction. Google Ad Manager allows third parties to compete in the auction, and, with the presence of multiple bidding systems, a multi-auction ecosystem emerged of second-price auctions, alongside first price auctions. This created adverse effects for ad buyers where they could be competing against themselves for the same impression, at different prices, given competing exchanges can operate in the auction. Additionally complexity arose because “publishers in Google Ad Manager could set different price floors for different ad buyers, and used that to impose higher price floors on certain ad buyers than on others, depending, among other things, on what ad exchange they bid on”.²²

The unified first price auction was introduced to reduce these sorts of effects.

Under the unified first-price auction, publishers continue to have a range of options to sell their inventory. This includes guaranteed line items and remnant or non-guaranteed line items. Ad Manager also enables publishers to solicit real-time bids through more than 20 ad exchanges in addition to Google AdX. This means Ad Manager offers a “single auction that compares the prices from a publisher's guaranteed campaigns with all of a publisher's non-guaranteed advertising sources— including real-time bidding partners (such as Authorized Buyers and Exchange Bidding partners) and non-guaranteed line items (including those that publishers use in their header bidding implementations)”.²³

Google enables publishers to impose price floors on ad buyers participating in its Ad Manager auction; it just does not enable publishers to discriminate against a particular ad buyer by imposing a higher price floor on that ad buyer than on other ad buyers in the auction. This is an important balance for advertisers, reducing the adverse effects described above, such as unknowingly bidding for an impression against themselves at different prices. As referenced in

²² Ibid. p.21

²³ Google (2019) An Update on First Price Auctions for Google Ad Manager, accessible at: <https://www.blog.google/products/admanager/update-first-price-auctions-google-ad-manager/>

response to Q5, the move to a unified first price auction must be considered in the context of the ecosystem more broadly.

Google notes that a May 2020 survey found that only 4% of publishers said they saw negative business impact from Google's switch to first-price auctions. 47% reported positive impact, and 43% observed no change.²⁴

We also refer the Committee to sections III, IV and V in Bitton and Lewis's paper, in particular, which examine the introduction of the unified first price auction in detail.

²⁴ See AdExchanger's May 2020 survey, accessible at: <https://www.adexchanger.com/platforms/google-ad-manager-policy-changes-dont-hurt-publishers-according-to-advertiser-perceptions/>