

**Edward Bowles, Director of Public Policy, Northern, Central and Eastern Europe, Facebook—further supplementary written evidence (FOJ0109)**

Thank you for your follow-up letter of 21 July regarding your Committee's inquiry. I am writing to provide answers to the further questions contained in your letter.

**Question 1: How much value do you derive from news on your platform?**

*Context from Committee: In our previous letter, we asked you how much value Facebook derives from news. However, we did not receive a direct answer. **Is this because Facebook has not estimated what the financial impact would be on the business of no longer carrying news, or because Facebook is not able to make this information public?***

*You told us that news is "highly substitutable". Facebook explained in its submission to the Australian Competition and Consumer Commission that the evidence for this claim is that despite a change to the news feed algorithm in January 2018 which makes content from pages – including news organisations' pages – less prominent, Facebook has enjoyed increased revenues and engagement. You also noted that "the fact that 35 per cent (36 or 37 per cent, depending on the survey) of users visit Facebook for news does not mean that their News Feed contains 35 per cent of news." You added that: "there is a difference between consuming news on Facebook and visiting Facebook exclusively to consume news."*

*It is not at all clear how these points – either individually or taken together – prove Facebook's claim that "news does not drive significant long-term commercial value for our business." Facebook has not provided evidence to suggest that the 35 per cent of users who visit Facebook for news would continue to visit Facebook as much as they currently do – and thus continue to be of the same value to your company – if news were no longer available on the platform.*

**We would also be interested to hear whether Facebook believes that news would still be so substitutable were its position in the social media market not, according to the CMA, "effectively unassailable".**

**Response:** We don't have a segregated assessment of 'value', in the pecuniary sense of the word, for news content that news organisations post, or allow to be posted, free of charge from Facebook to our platforms. News organizations will find that the traffic that is driven from Facebook to their own sites through the content they choose to post provides value to them, since that traffic can generate advertising revenue and/or subscriptions for those organisations. Other organizations also find value in creating and maintaining a presence on FB to promote their brand. Our free products enable publishers -- if they choose -- to monetise their content on our platform and provide a revenue stream for them to add to their other sources of revenue. For Facebook, however, the 'value' of news is unquestionably about its role in society at large, which is why we invest - at no small cost to ourselves - in products and services that enable news to be placed free of charge by those who produce it onto our platform. It is

important to note that revenue derived from news publishers advertising on our platform is marginal, and we do not report it separately.

In terms of 'substitutability', this relates to the proportion of news in an average user's feed or inventory - the volume of which is low single digit percentage, because Facebook is primarily a service used to connect with family and friends. In relation to the wider question, we do not accept that our position in the market is 'effectively unassailable' - on the contrary, as Mark Zuckerberg said in his testimony before the Judiciary Committee of the United States House of Representatives:

*"Our services are about connection and our business model is advertising. And we face intense competition in both. Many of our competitors have hundreds of millions or billions of users. Some are upstarts, but others are gatekeepers with the power to decide if we can even release our apps in their app stores to compete with them. In many areas, we're behind our competitors. The most popular messaging service in the US is iMessage. The fastest growing app is TikTok. The most popular app for video is YouTube. The fastest growing ads platform is Amazon. The largest ads platform is Google. And for every dollar spent on advertising in the US, less than 25 cents is spent with us."*

We face competition on every front, and you only have to look at the examples of companies who recently have not sustained what many thought were unassailable market positions to see how quickly the market can change. Mark Zuckerberg closed his written testimony with the following, "Several years ago, Facebook moved our headquarters to the campus where Sun Microsystems used to be. We kept their sign out front, on the back of ours, to remind us that things change fast in tech. I've long believed that the nature of our industry is that someday a product will replace Facebook. I want us to be the ones that build it, because if we don't, someone else will."<sup>1</sup> More recently, the Oxford Internet Institute makes much the same point, in similar detail: <https://policyreview.info/articles/analysis/what-if-facebook-goes-down-ethical-and-legal-considerations-demise-big-tech>

As a consequence, we continue to invest at scale in our products and services, with significant amounts devoted to research and development, in order to be able to continue to compete with both established and newly emerging companies, and to remain a viable platform that provides real value for money to those that chose to advertise, as well as remaining valuable to those who use the services free of charge.

## **Question 2: What is your reaction to the findings of the CMA market study on online platforms and digital advertising?**

*Context from Committee: You may have seen that the Committee is considering the findings of the CMA market study and on Wednesday 8 July held evidence sessions with the CMA and two academic experts on the subject. We would be interested to read your*

---

<sup>1</sup> M Zuckerberg, House Judiciary Committee Hearing, 29 July 2020, <https://docs.house.gov/meetings/JU/JU05/20200729/110883/HHRG-116-JU05-Wstate-ZuckerbergM-20200729.pdf>

*thoughts on the CMA's proposals and your response to points made by witnesses in those sessions.*

**Response:** I have read the transcript of the evidence provided by the CMA officials. The CMA's Market Study is lengthy and complex, as befits the issues that it covers, and any response here will clearly not be able to do justice to it or our emerging thinking about it. That said, it is worth noting here that one of the most important aspects of the report is the recognition of the ongoing role of the Digital Markets Taskforce, which we support the creation and work of. Digital Markets are evolving at such a rapid pace and supporting so many businesses across the country now, not least small and medium sized ones, that any future framework will need to be very nimble and well connected to technological developments if it is to ensure that it supports economic growth and activity.

As the Taskforce assesses the need for a new set of regulatory oversight mechanisms for online platforms, we believe UK policy makers and the Digital Markets Taskforce should not lose sight of the significant benefits and economic efficiencies that these platforms, and Facebook specifically, bring to UK consumers and the wider economy. We will continue to provide insight and support as this process evolves, as we did during the Market Study itself.

Once again, thank you for your reply; I trust that you will find this information helpful to your inquiry. Please do not hesitate to get in touch if we are able to support the Committee in any further way.

August 2020