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Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

Response to matters taken on notice - Mobile Payments and Digital Wallets inquiry

Please find enclosed our response to matters taken on notice during Google's appearance before the Committee's inquiry into mobile payment and digital wallet financial services.

If you have any questions or require any further information, please contact me directly.

Yours sincerely,

Justin Mining
Manager, Government Affairs and Public Policy

Item 4: clarification of Google Pay and Play issues

Senator O'NEILL: I acknowledge everything you've said today, but what happened with Fortnite and Epic Games? Their submission indicates concern about Apple and Google preventing app developers from distributing their apps on other distribution platforms. They talk about purchases for in-app content that are 10 times higher than fees charged by analogous electronic payment processors in a competitive context. They also talk about contractual restrictions, which I'm sure you would be able to see in submission 17. I invite you to give a full response to those concerns.

In the context of that issue with Epic, why is it that the RBA and the ABA are saying to this committee that there is no transparency—that they can't see what you're charging and they can't observe what's going on in the market? When we've asked for evidence from different participants, they've all been very, very careful about their contractual relationships with you because you're very, very big in their world. I am very pleased with the fullness of your responses to our questions this afternoon, but those abiding concerns remain. I'd be interested to hear if you have anything to say, briefly, plus a comment on that. Clearly, it's a big issue.

Ms Layfield: First, as I'm sure you'll understand, we're unable to comment on any active litigation, but I will pass to my colleague Lucinda to see if she has any comments on the broader point.

Ms Longcroft: We strongly refute the claims made by Epic, and, as my colleague has mentioned, there is ongoing litigation by Epic against Google on which we can't comment. However, the claim that we are not transparent in the data is wrong. The claim that we prevent—

Senator O'NEILL: Is that fee data?

Ms Longcroft: Certainly when I speak about Google Play, the app marketplace, our fee data is transparent. In fact, 90 per cent of app developers on Google pay no fee. Of the billions of apps available globally, only three per cent of apps charge for digital content for which we charge a fee; the fee structure is based on a revenue model and is entirely transparent. Of the 2,500-odd developers in Australia that make their apps available for a charge on the Google Play store, 99 per cent are charged a 15 per cent fee structure; less than one per cent are charged a 30 per cent fee structure, and that is comparable to or less than all other competitors in a vigorously competitive marketplace. Finally, to the other point that you mentioned, we do not prevent app developers from distributing their apps via alternative channels, but we can follow up with more detail on those.

Response:

Google does not prevent app developers from distributing their apps on other distribution platforms. Through Android, developers are free to choose how they best distribute their apps and are not limited to any particular distribution channel:

- Android app developers can negotiate preinstallation deals with device manufacturers to preinstall their apps on devices so that users will have access to them out-of-the-box.
- Besides, or instead of Play, app developers can also choose to distribute through numerous other Android app stores and app subscription services (such as the Samsung Galaxy Store and Amazon Appstore).⁴
- Android app developers can also distribute via direct downloads from their own (and third-party) websites. For example, the popular messaging app WhatsApp is available via

⁴ In addition to Play, other Android app stores include Samsung Galaxy Store, Opera Mobile Store/Bemobi, Amazon App Store, Aptoide, 1Mobile Market, AC Market, Anzhi, AppBrain, AppChina, Appland, AppsLib, AppZone, Aptoide, Baidu App Store, Bazaar, Best Apps Market, BlackMart, Brophone Market, Camangi Market, D.cn Games Center, F-Droid, Get5, GetJar, gFan, GoodeReader, HiAPK, Lexibook Market, LG Smart World, Maopao, MiKandi, Mobango, Mobile9, Mobo Market, MTN Play, Mumayi.com, Naver NStore, N-Duo Market, neXva, OpenAppMkt, PandaApp, Pdassi, Phoload, Pinoy App Shop, SlideMe, Soc.io Mall, Taobao App Market, Tencent My App, TorraApk, Uptodown Market, Wandoujia, Xiaomi Market, and Yandex.Store. This list may not cover all the app stores that users can access.

WhatsApp's direct download page,⁵ or can be downloaded from Play. The same is true of thousands of other apps, which are either available directly from developer websites or on popular app repositories such as APKMirror.⁶

We have a service fee structure that enables us to develop, innovate and maintain Google Play. Developers on Google Play are subject to a service fee only where the developer generates revenue on digital transactions with this applying to less than 3% of app developers. For those subject to the fee, we charge a 15% service fee on the first USD \$1 million generated each year on Google Play with a 30% fee imposed on revenue above USD \$1 million. Our fees are lower than, or comparable with, fees of competing app stores such as Apple's App Store, the Amazon Appstore, Samsung Galaxy Store and Microsoft Xbox.

This service fee is used to finance the development and operation of Google Play and the ecosystem. Google Play provides a number of tools and services - not only regarding security and a billing system - to app developers for free, including:

- **App Development & Developer Support:** Through Android and Play, Google provides app development tools, analytics and testing tools, and quality control tools. These include the Android Software Development Kit, Android Studio, the Play infrastructure Console, and a number of APIs (Google Play services) that help developers to integrate their apps with other functionalities on a device and grow their businesses.
- **App Hosting & Distribution:** Google Play provides the technical infrastructure to host and distribute apps globally, and to keep those apps updated.
- **App Discovery:** Google Play provides an important channel for users to discover apps including search and discovery, ratings and reviews, recommendations as well as world class loyalty programs. Developers get access to a very large, global customer base.
- **Compliance:** Google Play takes care of a wide variety of compliance requirements for developers so that they can safely sell globally.
- **Payments:** If developers choose to charge for their apps, they can use the consistent, safe and secure payments platform provided by Google Play.

It is not appropriate to compare Google Play with payment processors. Google Play provides developers with much more than that and such a comparison ignores the breadth and nature of our business. The services we provide to developers are substantial. Google Play offers a global distribution network so developers can reach billions of consumers across tens of thousands of device models. Our commerce tools let developers transact with consumers using hundreds of locally relevant forms of payment. And our app development tools help developers build great businesses, whether they're writing their first lines of code, or are looking to deepen their insights into their audience and customer acquisition strategy.

We don't charge developers to access any of those services and we want to maintain this approach. Android is free, and developers pay just a one-time registration fee to distribute on Google Play. Free services help small developers innovate and grow. But we do need a business model to sustain these offerings, so we charge a service fee, applied when Google Play developers sell digital content. We believe our business model is the best way to align our success with our developers. It means that we don't succeed unless we help others succeed.

⁵ This download page, available at: <https://www.whatsapp.com/android/>, can be visited on a mobile device browser and then the "APK" can be downloaded directly by users. An APK (an Android application package) is the package file format used by the Android OS, and a number of other Android-based OSs, for distribution and installation of mobile apps. Such APKs can also be shared via file transfer such as email.

⁶ Available at: <https://www.apkmirror.com/>. For example, UK based Pokémon enthusiasts were able to obtain earlier access to the popular Pokémon Go game (when it was available on the Australian but not UK Play Store) by downloading through app repositories such as APKMirror (see The Guardian, How to get Pokémon Go right now in the UK on Android, 11 July 2016, <https://www.theguardian.com/technology/2016/jul/07/how-to-get-pokemon-go-uk>).