



23 October 2023

The Secretariat
House of Representatives Standing Committee on Economics
PO Box 6021, Parliament House
Canberra ACT 2600

By email: economics.reps@aph.gov.au

Inquiry into promoting economic dynamism, competition and business formation - answers to questions on notice and supplementary information

Google appreciated the opportunity to appear before the House of Representatives Standing Committee on Economics ('Committee') on 29 August 2023. We are pleased to provide responses to questions taken on notice during the hearing, and further information that we hope may support the Committee's deliberations.

A fact-based understanding of the digital economy landscape, platforms operating in it and interactions between those platforms and their customers (businesses and consumers) is fundamental for developing sound policies to drive economic dynamism, competition and business formation, in the tech sector and beyond. With this in mind, we take this opportunity to provide supplementary information to the Committee on three topics raised to the Committee in the course of its Inquiry, namely:

- the app store ecosystem and Google Play;
- the ad tech ecosystem and Google's supply of ad tech services; and
- the need for ex ante rules for digital platforms.

RESPONSES TO QUESTIONS TAKEN ON NOTICE

Question:

#	Question	Member	Hansard Reference
GO01QON	CHAIR: Going back to usage rates, do you have public data on how many transactions are being undertaken? Overall, the number of transactions across the payments system as a whole has increased to about 25 per cent in recent years and is increasing significantly. What data do you have on the public record about your digital wallets?	Dr Mulino	Proof Transcript, 29 August 2023, p.5.



	<p>Ms Longcroft: I don't have specific data to hand on that one and would be happy to take that question on notice. We are aware of the significant value to GDP of the use of digital payments. For use of Google's Wallet in particular, we would have to take that on notice and then provide the information to the committee.</p>		
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Answer:

With regards to public data, we would refer to popular third party analytics websites that estimate usage. One such analytics firm is [data.ai](#). The benefit of such firms is that their methodology is consistent across providers.

Question:

#	Question	Member	Hansard Reference
GO02QON	<p>CHAIR: ... What is your estimate of the total current spend on ads in the digital space in Australia at the moment?</p> <p>Mr Mining: I don't have that information at hand, but I'm very happy to take that on notice and come back to you. Obviously, it's a very broad sector and is beyond just what our tech sector is involved with, but we're happy to take that on notice.</p>	Dr Mulino	Proof Transcript, 29 August 2023, p.8.

Answer:

There is no official source of data on digital advertising spend (or advertising spend more generally) in Australia. To assist the Committee, we set out below some data from the following sources:

- ACCC's Digital Platform Services Inquiry - Interim report 6: Report on social media services, March 2023 (ACCC's DPSI 6 Report);¹
- PwC's Australian Entertainment & Media Outlook 2022-2026 report (PwC's Entertainment & Media Outlook Report);² and
- IAB Australia periodic reports.³

¹ [ACCC's DPSI 6 Report](#).

² [PwC's Entertainment & Media Outlook Report](#). Outlook. We understand PwC no longer issues this publication in Australia.

³ IAB Australia, [Advertising Expenditure publications](#).



According to the ACCC's DPSI 6 Report, digital advertising in Australia is expected to generate A\$16.2 billion by the end of 2023.⁴ According to IAB Australia, Australian online advertising reached A\$14.2 billion for the financial year ending 30 June 2023.⁵

The supply of advertising opportunities extends beyond digital advertising. Most advertisers seeking advertising opportunities are willing to, and do, substitute between alternate media or advertising methods for some or all of their advertising.⁶ Advertisers and ad agencies are sophisticated, and allocate spend based on return-on-investment across a variety of ad providers, including but not limited to search, travel, e-commerce, and publisher sites along with other forms of online and offline advertising, typically on the basis of advanced media mix optimisation models.

PwC estimated total Australian advertising spend of ~A\$19.7 billion in 2021,⁷ comprising internet advertising, free-to-air television, games, news media, radio, out-of-home advertising, subscription TV, music, magazines and film. According to PwC's Entertainment & Media Outlook Report, internet advertising accounted for ~A\$10.7 billion and non-internet advertising accounted for ~A\$9 billion of total Australian advertising spend in 2021.

Question:

#	Question	Member	Hansard Reference
GO03QON	<p>CHAIR: What's your rough share of that or revenue in that space?</p> <p>Mr Mining: Again, we'll also take that on notice and see what we can provide. I don't really have that information at hand, but we're happy to think about that and come back to the committee.</p>	Dr Mulino	Proof Transcript, 29 August 2023, p.8.

Answer:

In calendar year 2022, Google Australia's ad revenue was ~A\$871 million net of reseller costs. Gross ad revenue, representing amounts billed to customers, was ~\$7.1 billion.

Please note that this data will not correlate with public estimates of total digital spend in Australia. Google's ads business connects advertisers with global audiences and Google Australia's ad revenue figures are based on revenue from Australian (advertiser) customer accounts, which includes ads served

⁴ [ACCC's DPSI 6 Report](#), p74, citing IBIS World, [Online Advertising In Australia](#), December 2022.

⁵ IAB Australia, [Online Advertising Expenditure Report](#), 30 August 2023 (referenced in IAB Australia's media release at [Online advertising expenditure hits \\$14.2bn for FY23 but growth has slowed - IAB Australia](#), 30 August 2023).

⁶ See, for example, ACCC, [Media Merger Guidelines](#), 2017, which note that parties to a media merger may overlap in "the supply of advertising opportunities to advertisers", and that the ACCC will consider the extent of substitution between different modes of delivery. See also the [ACCC's assessment of News Corp's acquisition of APN's ARN division](#) where the ACCC found that "various local advertising alternatives, including online, radio and television, would collectively impose sufficient constraint" on News Corporation after the acquisition.

⁷ [PwC's Entertainment & Media Outlook Report](#), p5.



to users in Australia as well as users overseas, unlike local media players (for example, broadcasters, radio, print etc) who serve ads primarily (or exclusively) to Australian audiences.

Question:

#	Question	Member	Hansard Reference
GO04QON	<p>CHAIR: Again, you probably would be aware that one of the previous witnesses has spoken of \$3 billion on digital video ads and \$2 billion, roughly, on YouTube. Do those numbers sound about right?</p> <p>Mr Mining: I don't want to make a comment, I'm sorry, on that. I'm not across that number in detail, but we're happy to address that as well.</p> <p>CHAIR: We'll put that on notice.</p>	Dr Mulino	Proof Transcript, 29 August 2023, p.8.

Answer:

There is no official source of data on digital video ads revenue. However, based on the data extracted below, the data referenced by the Chair and provided by an earlier witness before the Committee relating to digital video ads and YouTube are not accurate - they understate the overall advertising spend on digital video ads and overstate YouTube's position.

According to IAB Australia, Australian online video advertising was ~A\$3.5 billion for the financial year ending 30 June 2023.⁸

The ACCC's DPSI 6 Report estimated YouTube Australian net revenue of A\$430-\$470 million.⁹ We note the following in relation to the YouTube data cited in the ACCC's report, meaning it is not directly comparable to the IAB Australia estimates:

- The figures were derived by taking YouTube gross advertising revenue and deducting an estimate of revenue share payments to eligible YouTube creators, artists and partners based on advertisements displayed or streamed on public videos on their content Watch Page. Google pays eligible YouTube creators 55% of revenues from ads displayed or streamed on their public videos on their content Watch Page.¹⁰
- The figures were based on data for ads shown to users in Australia (that is, the figures do not represent YouTube advertising revenue for customers based in Australia). As noted above, revenue in Google's audited financial statements is based on revenue from Australian (advertiser) customer accounts.

⁸ IAB Australia, [Online Advertising Expenditure Report](#), 30 August 2023 (referenced in IAB Australia's media release at [Online advertising expenditure hits \\$14.2bn for FY23 but growth has slowed - IAB Australia](#), 30 August 2023).

⁹ [ACCC's DPSI 6 Report](#), p78. Footnote 316 discusses the basis on which this data was collated.

¹⁰ See YouTube Help, [YouTube partner earnings overview](#), accessed 20 October 2023.



- The basis on which the gross revenue was provided is not directly comparable to the methodology used for Google’s externally reported global and Australian advertising revenue.

Question:

#	Question	Member	Hansard Reference
GO05QON	<p>CHAIR: I can put this question on notice, but do you have local teams working on these issues? How has the investment in that space changed over time and how is it projected to change?</p> <p>Ms Longcroft: Yes, we do. As I've mentioned, we have 2,000 staff here in Australia, including staff who are dedicated to ensuring that we are engaging with the Australian ecosystem, flaggers and others. We are consistently increasing our investment in our trust and safety teams and in the technologies, including AI technologies that are designed to prevent these malicious attacks on Australian users.</p> <p>CHAIR: I'll put a question on notice specifically about the numbers of people in that scam space. It's a question that we've asked of the banks, and it's interesting to get a sense of how all the different players in that space are changing. Thank you very much for your evidence.</p>	Dr Mulino	Proof Transcript, 29 August 2023, p.10.

Answer:

We engage closely with the ACCC’s National Anti Scams Centre, including participating in its current Fusion Cell process to bring all stakeholders together to combat the scams currently affecting Australians. We also work closely with the eSafety Commissioner in an online safety approach to preventing scams and with ASIC on financial investment scams, and with the Department of Communications in their respective initiatives addressing scams in Australia.

We invest significant resources in creating and enforcing effective policies to prevent abuse, and detecting and combating bad actors, to preserve the trust of people that use our products. Google’s global Trust & Safety team, including some 20,000 trained reviewers, works around the clock to protect our users in Australia and around the world from scams, malicious, harmful, and exploitative content and apps on our products. We combat scams, harmful content and malicious/exploitative apps through comprehensive policies and scaled enforcement of those policies. We do that with sophisticated machine learning tools to detect potentially violative content at scale, together with the human reviewers who provide more nuanced decisions that continuously train those machine learning models.

In 2022, we removed over 5.2 billion ads, restricted over 4.3 billion ads and suspended over 6.7 million



advertiser accounts for violating our ads policies.¹¹ This represents an increase of 2 billion more ads removed in 2022 from the previous year.¹² We also blocked or restricted violative ads from serving on over 1.5 billion publisher pages and took broader site-level enforcement action on over 143,000 publisher sites.¹³

We are constantly developing new tools and policies that help better protect the people who use our products and our advertising partners from bad actors. In 2022, recognising a rise in financial fraud in advertising, we expanded our financial services certification program which requires advertisers to demonstrate that they are authorised by their local regulator (in Australia, the Australian Securities and Investments Commission) to promote their products and services.¹⁴ This measure adds a new layer of security against fraudsters and further safeguards people from financial scams. To date, we've launched this program in 11 countries including Australia. Overall, in 2022, we blocked or removed 142 million advertisements for violating our misrepresentation policy and 198 million advertisements for violating our financial services policy.

Keeping Google Play safe for users and developers has been, and remains, a top priority for Google. Google Play Protect continues to scan billions of installed apps each day across billions of Android devices to keep users safe from threats like malware and unwanted software. Our data shows that 99% of apps with abusive or malicious content are rejected before anyone can install them.

In 2022, we prevented 1.43 million policy-violating apps from being published on Google Play in part due to new and improved security features and policy enhancements — in combination with our continuous investments in machine learning systems and app review processes.¹⁵ We also continued to combat malicious developers and fraud rings, banning 173K bad accounts, and preventing over US\$2 billion in fraudulent and abusive transactions.¹⁶ We also raised the bar for new developers to join the Play ecosystem with phone, email, and other identity verification methods, which contributed to a reduction in accounts used to publish violative apps.¹⁷

SUPPLEMENTARY INFORMATION

APP STORES

Some stakeholders have raised concerns regarding Google Play that we believe mischaracterise how Google Play operates. Below we address these mischaracterisations and substantiate the following key points about how Google Play operates:

- a. The Android ecosystem is defined by choice and openness and does not “lock-in” developers or users;

¹¹ Google, [Our 2022 Ads Safety Report](#), 29 March 2023 and Google, [Ads Safety Report](#), 2022.

¹² Ibid.

¹³ Ibid.

¹⁴ Google, [Australian Financial Services Advertisers Verification](#), 9 June 2022.

¹⁵ Google, Security Blog, [How we fought bad apps and bad actors in 2022](#), 27 April 2023.

¹⁶ Ibid.

¹⁷ Ibid.



- b. Google Play provides benefits to app developers; and
- c. Google Play's service fee is not a payment processing fee - Google Play's service fee relates to the full range of services and value that Google Play provides.

The Android ecosystem is defined by choice and openness and does not “lock-in” developers or users

Android is an open mobile platform. Anyone can build devices using the Android operating system for free under an open-source licence. In line with this open approach, app developers on Android can choose to distribute their apps on any of the competing app stores available on Android devices (for example, Samsung's Galaxy Store,¹⁸ or Amazon's Appstore¹⁹). Google Play is just one of these app stores on Android, and it is currently the most popular with Android users and developers.

Android also allows consumers to download apps directly from websites (known as 'sideloading').²⁰ Developers can also gain distribution on Android by negotiating preload deals with OEMs (i.e. smartphone manufacturers) or distributing their services via websites (with an easy way for users to sign up for subscriptions or purchase content directly from developers), web apps or app streaming services (such as Nvidia).

Google Play also competes for app distribution with many other platforms outside of the Android ecosystem. In particular, Android and Google Play face intense competition from iOS and Apple's exclusive App Store (as the only distribution channel for apps on iOS). Google Play and the App Store compete head-to-head for developers and users on price as well as innovation and quality. Google Play also competes with app stores on gaming platforms like Steam, PlayStation, Nintendo Switch and Xbox.

Google therefore has a strong incentive to generate value for app developers so that they choose to distribute their apps on Google Play and invest in their Android apps, ensuring that Google Play and the broader Android platform can compete effectively with Apple's iOS and other platforms.

Benefits of Google Play for app developers

Google Play creates value by providing app developers with a platform to distribute their apps to users. That value includes the following platform features:

- **Developer tools, guidance and support:** Developers can run experiments, beta tests, optimise store listings, analyse performance, and more. These services facilitate development, launch, and growth of apps and create important cost savings for developers. Google regularly updates Google Play and introduces new features that help developers get their apps discovered,

¹⁸ Samsung, [Galaxy Store](#).

¹⁹ Amazon, [Amazon Appstore App For Android](#).

²⁰ Without protections, sideloading does carry security risks. Unlike apps downloaded through Play, sideloaded apps do not go through the review and approval processes that app stores have in place. Our sideloading process is easy to use but presents appropriate warnings to consumers of the security risks involved, to ensure their choice is fully-informed. If a user chooses to permit an app (such as a browser) to sideload apps, they can authorise this 'once and for all' via the settings app. In Android 12, the warning message itself directs the user to the relevant settings page (and back again) so that users can grant the permission in a single flow.



improve their content, and monetise their apps. Our dedicated blog also provides access to hundreds of insights for developers.²¹

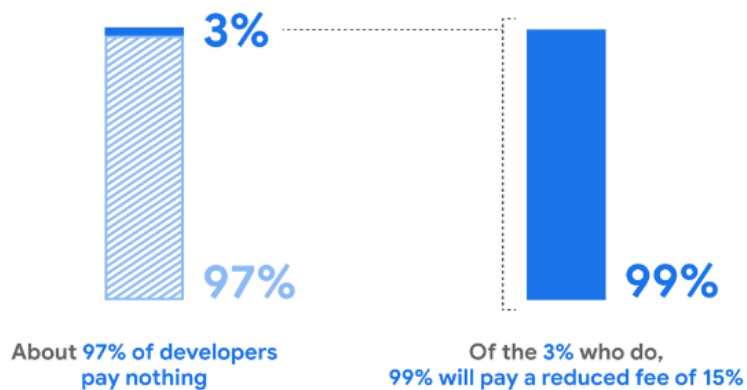
- **Security:** Consumers trust Android and Google Play because of their security features. For example, Google Play Protect scans over 100 billion apps per day for malware, data breaches, and fraud. A lack of trust would discourage users from downloading apps to their devices or entering into online transactions.
- **Technical infrastructure:** Developers can host and distribute apps globally and seamlessly. Google also provides backend infrastructure to enable developers to update their apps on all devices globally.
- **Reporting:** Google provides developers with extensive reporting on the performance of their apps, and continually invests to make metrics and visualisations more helpful. These reports help developers understand, for example, the lifecycle of their apps, from how they are discovered in Google Play, to how users engage with them and what users pay for.
- **Global User Base:** Google Play provides a place for developers to distribute their apps and games globally, available in over 190 countries and to more than 2.5 billion users with personalised recommendations and easy discovery of high-quality apps.
- **Features promoting user activity and engagement on the Google Play platform,** including givebacks like Google Play Points, Google Play Pass, promotions, pre-registration, LiveOps, personalised recommendations, and subscription services.
- **New Android platforms:** Google has worked to add new form factors (such as Chromebook, Auto, and TV), to help developers increase their reach in new ways.
- **Billing system:** Google Play offers a safe and trusted payment experience that delivers substantial benefits for users and developers. Google Play's billing system is not simply a payment processing system, but rather an integrated, comprehensive payments platform. On top of providing over 200 forms of payment (including credit cards and PayPal), it manages the check-out flow and after-sales services such as refunds, subscription management, parental controls and budgeting.

Google Play's service fee is not a payment processing fee

Google Play's service fee relates to the full range of services and value that Google Play provides, and is the principal means by which Google is compensated for the value it provides to developers, users and device manufacturers through Google Play and Android. Just as it costs money to develop, launch, and market an app for developers, it costs money to develop, launch, market and maintain a high-quality app store and mobile operating system. In testimony to the Committee, some stakeholders have mischaracterised the nature of the service fee and ignored the value it affords developers. We address these issues below.

²¹ Android, [Android Developers Blog](#), 21 October 2021.

- **The Play service fee funds major investments into the Android and Play ecosystem.** This includes investment in the platform features described above (i.e. developer tools, security, technical Infrastructure, reporting tools, global user base, user activity and engagement features, new Android platforms and billing systems).²²
- **The vast majority of developers, some 97%, do not pay any service fee.** The service fee is only charged when a developer elects to charge users for their app or offer digital content for purchases within their app.
 - This means that **only 3% of developers are subject to the service fee**, and 99% of those developers are eligible for a service fee of 15% or less.
 - The **other 97%** can distribute their app on Play and utilise all the developer tools and services at no cost.



- **The service fee has never been raised - instead it has been subject to multiple reductions.** This has been as a result of competitive pressure (in particular from Apple).²³
- **Charging a service fee is common practice and the level of the service fee has been found to be competitive with similar providers.**
 - The most prominent app stores and software distribution platforms, such as the Apple App Store, Samsung Galaxy Store, Amazon App Store and Microsoft Store, and gaming platforms

²² Google, Play Console Help, [Understanding Google Play's Service Fee](#), 2022.

²³ For instance, in November 2020, Apple announced its own App Store Small Business Program, under which it reduced its service fee to 15% for developers who earned up to US\$1 million in the previous calendar year. See Apple, Developer News and Updates, [Announcing the App Store Small Business Program](#), 18 November 2020. More recently it was announced that:

- From 1 July 2021, the service fee was reduced from 30% to 15% for the first US\$1 million of revenue every developer earns each year. See Android Developers Blog, [Boosting developer success on Google Play](#), 16 March 2021.
- From 1 January 2022, the service fee for all digital subscription payments on Play was reduced to 15%, starting from day one. Previously, the fee dropped from 30% to 15% after 12 months of a recurring subscription. It was also announced that ebooks and on-demand music streaming services are eligible for a service fee as low as 10%. See Android Developers Blog, [Evolving our business model to address developer needs](#), 21 October 2021.



like Steam, PlayStation, Nintendo Switch and Xbox, all have policies that require developers to pay fees, and use the platform's in-app payment system to purchase in-app digital products, with certain carve outs.²⁴

- o Play's service fee has been found to be competitive with other stores.²⁵ Indeed, in a Deloitte study of fees applied by distribution platforms to transactions by developers and content providers, Google's Play Store service fee was considered at the "lower end of the spectrum".²⁶

AD TECH

Some stakeholders have raised concerns regarding Google's ad tech products that we believe mischaracterise the ad tech landscape and how Google operates. Below we address these mischaracterisations and substantiate the following key points about the ad tech landscape:

- a. The digital advertising industry is dynamic and highly competitive;
- b. Ad tech fees are not excessive and evidence indicates they have remained stable or decreased over recent years;
- c. Vertical integration has benefits and is common in ad tech; and
- d. Data advantage concerns are overstated.

The digital advertising industry is dynamic and competitive

Contrary to some stakeholder suggestions that Google is 'dominant' in ad tech, Google competes with a large number of ad tech providers in Australia. The advertising ecosystem is multi-faceted and the industry is dynamic.²⁷ We are one of hundreds of companies that enable the placement of ads across the Internet.

Many vertically integrated and specialist participants have entered, expanded and thrived in ad tech in Australia. For example, participants that are vertically integrated along multiple parts of the ad tech

²⁴ See, for example, Analysis Group, Jonathan Borck, Juliette Caminade and Markus von Wartburg, [Apple's App Store and Other Digital Marketplaces](#), 22 July 2020, p12.

²⁵ The Verge, Julia Alexander and Ian Carlos Campbell, [A guide to platform fees: Apple App Store, YouTube, Twitch, and more - The Verge](#), 24 August 2021.

²⁶ Deloitte, [Benchmark study: Fees applied by distribution platforms to transactions by developers and content providers](#), 2023, p11.

²⁷ For information about Google's ad tech products and the ad tech supply chain, see Google, [Answering your top questions about Google's advertising technology](#), 14 January 2022.



stack include Adobe, Amazon, AT&T/Xandr, and Verizon Media.²⁸ The Trade Desk is a notably strong competitor. It is the “fastest growing demand-side platform in the industry,” with revenue of US\$1,578 million for the year ended 31 December 2022.²⁹

More and more companies are entering and investing in building their advertising businesses. For example:

- Meta is by far the largest provider of display ads in Australia. According to the ACCC’s DPSI 6 Report, Meta’s Australian revenue derived from advertising services on Facebook and Instagram in FY21–22 was A\$4.7 to A\$5.1 billion.³⁰
- Reports indicate that Microsoft is looking to double the size of its advertising business.³¹ Last year, Microsoft acquired Xandr, a full ad tech stack that serves advertisers and publishers. This acquisition enabled Microsoft to sign a landmark deal to build Netflix’s advertising business.³² Microsoft also recently announced that its native display ads offering has expanded to 58 new markets (187 countries in total).³³
- Amazon’s advertising business is now growing faster than Google and Meta’s advertising businesses.³⁴ According to Amazon’s financial results for its second quarter ended 30 June 2023, its ad business has grown 22% year over year.³⁵
- Apple has a fast-growing advertising business, which is expected to reach over US\$30 billion in the next four years.³⁶ In its most recent quarterly earnings call, Apple announced a June quarter revenue record for its advertising business.³⁷ It’s also been widely reported that Apple is building its own demand-side platform,³⁸ expanding its advertising footprint.³⁹

²⁸ACCC, Digital advertising services inquiry 2020–21, [Final Report](#), 28 September 2021 (Ad Tech Inquiry Final Report), p53. Other vertically integrated players include Adform, Innovid and MediaMath. Specialist players include, Adroll, Amobee, Big Mobile, Bonzai, Criteo, Flashtalking, Index Exchange, Innovid, ironSource, MediaMath, Playground XYZ, PubMatic, Publift, Taboola, Magnite, The Trade Desk, Triplelift, Triton, and specialist data management platform and analytics providers including Chartbeat, Oracle, SAS, Snowflake/Snowplow and Webtrends. Playground XYZ is a locally based ad tech player with its own programmatic mobile marketplace, The Playground Private Exchange. It was named eighth in Deloitte’s 2019 Technology Fast 50 winners report, which noted its rapid growth of 678%. Playground XYZ counts Woolworths, Telstra, and the Commonwealth Bank amongst its Australian advertiser client base.

²⁹ The Trade Desk, [Form 10-K](#), p43.

³⁰ [ACCC’s DPSI 6 Report](#), p36.

³¹ Business Insider, [Microsoft has laid down a plan to double the size of its advertising business to \\$20 billion](#), 26 November 2022.

³² The Wall Street Journal, [Netflix Partners With Microsoft for New Advertising Backed Option](#), 13 July 2022.

³³ Search Engine Land, [Microsoft Audience Ads announces new AI bid strategies and market expansion](#), 18 September 2023.

³⁴ CNBC, [Amazon is bucking the online ad trend and just beat out Google and Meta](#), 3 August 2022.

³⁵ Amazon, [Amazon.com Announces Second Quarter Results](#), 3 August 2023.

³⁶ Financial Times, [Apple Plans to double its digital advertising business workforce](#), 5 September 2022.

³⁷ SeekingAlpha, [Apple Inc. \(AAPL\) Q3 2023 Earnings Call Transcript](#), 3 August 2023.

³⁸ Digiday, [Apple is building a demand-side platform](#), 3 August 2022.

³⁹ CNBC, [Apple is gaining on Facebook and Google in online ads after iOS privacy change, report shows](#), 6 September 2022.



- Only five years after launching outside of mainland China, TikTok is reported to have nearly US\$10 billion in advertising revenue and continues to grow rapidly.⁴⁰
- The Trade Desk continues its growth in Australia, focusing on connected TV (CTV), and strengthening partnerships with TikTok and analytics provider SambaTV. In January 2023, The Trade Desk launched Galileo, an offering that allows advertisers to upload their first-party data, including email addresses, to target relevant audiences on the open web.⁴¹

Ad tech fees are not excessive and evidence indicates they have remained stable or decreased over recent years

Stakeholder concerns regarding the level of fees charged for the supply of ad tech services are unsubstantiated - indeed CMA and ACCC findings indicate that Google's fees are not excessive compared to other providers:

- According to the ACCC **ad tech prices have remained stable, or even fallen**, over the past four years.⁴²
- **Other reports also show that ad tech fees have declined while programmatic ad spend continues to see growth** as a result of competition.⁴³ In Australia, the proportion of display advertising purchased through ad tech services (open auction, private marketplace or programmatically) as compared to direct-sold ads increased from 34% to 44% between Q4 2018 and Q3 2020.⁴⁴ Ultimately, ad tech services would not be widely and increasingly used if fees were excessive.
- **Analysis has shown that Google's take rates across the ad tech stack are competitive.**
 - In 2020, the CMA found that Google's take rates are "*broadly in line with (or slightly lower than)*" the market-wide average take rates in the UK.⁴⁵
 - In Australia, RBB Economics submitted a similar analysis to the Ad Tech Inquiry which showed that Google's take rates are in line with those published by the CMA.⁴⁶ It also

⁴⁰ The New York Times, [TikTok Builds Itself Into an Ads Juggernaut](#), 14 November 2022.

⁴¹ Digiday, [How The Trade Desk is evolving its approach to first-party data and IDs](#), 14 September 2023.

⁴² [Ad Tech Inquiry Final Report](#), pg50. The Final Report found that (a) Average fees for DSP services, and advertiser and publisher ad server services, changed little; and (b) Average fees for SSP services decreased by approximately 20%.

⁴³ Daniel S. Bitton and Stephen Lewis, [Clearing-up Misconceptions About Google's Ad Tech Business](#), 5 May 2020, p36 (citing Lauren Fisher), state that according to eMarketer, US programmatic ad spending has been growing year-over-year by large double digit figures. See eMarketer, [US Programmatic Ad Spending Forecast 2019](#), 25 April 2019. At the same time, fees as a proportion of the total non-social programmatic display spending decreased between 2019 and 2020 and are projected to continue to decrease from 2021 to 2023. See Insider Intelligence | eMarketer, [US Programmatic Digital Display Ad Fees, 2019-2023](#), accessed 19 October 2023.

⁴⁴ ACCC, Digital advertising services inquiry, [Interim report](#), December 2020 (Ad Tech Inquiry Interim Report), p41.

⁴⁵ CMA, Online platforms and digital advertising market study, [Appendix R to Final Report](#), 1 July 2020, para 11.

⁴⁶ RBB Economics, [Google's ad tech takes rates: Analysis of Google auction level data sets](#), 20 October 2020, p2.



showed that the take rate for Google's DSP is in line with the industry average estimated by the ACCC.⁴⁷

- o The ACCC also found that the take rate retained by Google Ads does not differ materially from the industry average.⁴⁸

Ultimately, ad tech providers compete on more than just price. Google also competes by offering high quality products and services.

Vertical integration has benefits and is common in ad tech

Some stakeholders allege that Google is 'dominant' in ad tech, and that this is partly underpinned by the vertical integration of its services across the supply chain, and that 'conflicts of interest' arise where a vertically integrated ad tech provider supplies services to both advertisers and publishers.

These statements are not supported by evidence and mischaracterise the role of vertical integration in ad tech.

- As noted above, there are **multiple other vertically integrated participants across the ad tech stack**. This suggests vertical integration in ad tech can deliver benefits that are not linked to any alleged market share / power.
- **No conflicts of interest arise as a result of Google's vertical integration.**
 - o Google's advertiser and publisher-facing products act in the best interests of their respective customers, while Google is appropriately incentivised to advance the longer term interests of the ad tech ecosystem.
 - o Contrary to some stakeholder submissions, DV360 customers decide how much of the budget to allocate to YouTube and non-YouTube inventory.⁴⁹ Accordingly, DV360 customers, not Google, choose how much of their budget is allocated to YouTube, or they can choose to exclude YouTube altogether. If customers choose to use automatic budget allocation, DV360 allocates budget with the objective goal of achieving maximum return on investment for the customer. YouTube is not preferred. Advertisers can choose to exclude YouTube using automatic budget allocation if that is their preference.⁵⁰
- **Google enables interoperability with a large number of competing platforms throughout the Google ad tech stack.** For example:

⁴⁷ Ibid. See also [Ad Tech Inquiry Final Report](#), p9.

⁴⁸ [Ad Tech Inquiry Interim Report](#), p159.

⁴⁹ Google, [Display and Video 360 Help: About Budgets](#). See also Google, [Display and Video 360 Help: Set budgets and control your pacing](#).

⁵⁰ Google, [Display and Video 360 Help: Automatic Budget Allocation](#).



- On the sell-side, Google Ad Manager works with any ad exchange and supports hundreds of ad networks. Google Ad Manager also includes an ad exchange AdX that is interoperable with any ad server on both the demand and supply side.
- On the buy-side, DV360 supports over 80 third-party ad exchanges⁵¹ and Campaign Manager is interoperable with any DSP.
- **Google's vertical integration in ad tech delivers significant benefits** to customers. Some of these are recognised in the Ad Tech Inquiry Final Report:⁵²
 - Lower likelihood that bids from its DSP to its SSP will fail;
 - Interconnecting between ad tech services is easier;
 - The ability to provide more consistent measurements and metrics; and
 - The use of consistent user IDs means greater targeting capabilities.

Data advantage concerns are overstated

Some stakeholders allege that Google's access to a large volume and range of data appears to provide it with a competitive advantage in ad tech. This supposed 'data advantage' is said to also underpin Google's alleged 'dominance' in ad tech.

However, claims about a data advantage are significantly overstated.

- In respect of concerns about DV360 bundling individual data from Search, Maps, Chrome and other sources, the Ad Tech Inquiry Final Report recognises that **Google makes limited use of first-party data in its ad tech products for targeting individual users on third party properties.**⁵³ DV360 primarily uses third-party data⁵⁴ to target ads to individual users on third-party websites and apps.
- **Third-party data is non-rivalrous** and is collected by many ad tech participants.
 - Criteo says it has built "*the world's largest open shopper data set*" covering "*72% of online shoppers globally.*"⁵⁵
 - The CEO of Xandr (then AppNexus) stated: "*We have more unique supply than AdX does in most markets. We have major publishers like LinkedIn and Microsoft and Axel Spring and Schibsted.*"⁵⁶

⁵¹ Google, [Display & Video 360 Help: Supported Display Exchanges](#).

⁵² [Ad Tech Inquiry Final Report](#), p88-89.

⁵³ [Ad Tech Inquiry Final Report](#), p82.

⁵⁴ Third-party data refers to data collected from users of non-Google websites and mobile apps.

⁵⁵ Criteo, [Explained: Data in the Criteo Engine: Introduction](#), 2022 (this video is no longer available on the Criteo website) cited in Andres V. Lerner, [The Economics of Network Effects and User Data in the Provision of Search, Search Advertising, and Display Ad Intermediation](#), 15 May 2019.

⁵⁶ adexchanger, Sarah Sluis, [AppNexus CEO Brian O'Kelley On Waging A Price War](#), 9 November 2017.



- o Nine recently introduced new digital technology that allows marketers to provide 9Now users with more precisely tailored messaging, stating its new technology is “underpinned by Australia’s largest data footprint”.⁵⁷
- Google has made **further commitments to limit its use of first-party data and third-party trackers**. In relation to its Privacy Sandbox initiative⁵⁸ and the upcoming deprecation of third-party cookies on Chrome:
 - o Google has made legally binding commitments to the CMA (with global application) that it will not track users to target or measure digital advertising on inventory on third-party websites using either (i) personal data collected from Google’s user-facing services; or (ii) personal data regarding users’ activities on websites other than those of the relevant advertiser and publisher.⁵⁹
 - o Google will not build or use user-level identifiers to track users as they browse across the web.⁶⁰

EX ANTE RULES FOR DIGITAL PLATFORMS

We supplement our submission of 19 May 2023 with the following additional points in response to suggestions by some stakeholders that there is an urgent need for the Government to introduce ex ante digital platform regulation.

We do not believe that the case for regulatory change has been made. Further analysis is needed to ensure additional regulation will in fact deliver tangible benefits to Australian consumers and not harm innovation and productivity in the Australian economy. This approach is in line with the Government’s best practice regulation guidelines.⁶¹ This position was echoed in submissions to the ACCC’s Discussion Paper by a broad range of stakeholders.⁶²

Some stakeholders have suggested the fact that some other distinct jurisdictions are introducing new regimes means that Australia needs to act urgently to implement ex ante rules for large digital platforms, or risk ‘falling off the pace’. We disagree. It is not appropriate to truncate the usual processes in Australia for developing codes or other regulatory frameworks, including proper scrutiny of costs and

⁵⁷ Nine, [Nine launches cutting edge advertising platform on 9Now](#), 1 April 2022.

⁵⁸ The Privacy Sandbox initiative aims to create technologies that both protect people’s privacy online and give companies and developers tools to build thriving digital businesses. The Privacy Sandbox reduces cross-site and cross-app tracking while helping to keep online content and services free for all. See Google, [The Privacy Sandbox, Protecting your privacy online](#), 2022.

⁵⁹ CMA, Case number 50972, [Decision to accept commitments offered by Google in relation to its Privacy Sandbox Proposals, Appendix 1A](#), February 2022.

⁶⁰ David Temkin, Google Ads & Commerce Blog, [Charting a course towards a more privacy-first web](#), 3 March 2021.

⁶¹ Productivity Commission, [Review of Australia’s Consumer Policy Framework](#), April 2008, p45, citing the Office of Best Practice Regulation, [Best Practice Regulation Handbook](#), August 2007.

⁶² See the submissions of Law Council of Australia, the Business Council of Australia, Atlassian, DIGI, Amazon Australia, Meta, the Australian Investment Council, the Computer & Communications Industry Association, the Consumer Policy Research Centre, the Antitrust Law Section of the American Bar Association, and the Global Antitrust Institute of George Mason University. Submissions available [here](#).



benefits,⁶³ because of developments in other countries or on the basis of previous findings made by the ACCC in broad inquiries into a range of digital platforms issues.

The Government should scrutinise stakeholder submissions that call for “urgent reform”, and be satisfied there is evidence of actual harms to Australian consumers and competition that can’t be addressed by existing laws. The ACCC’s Interim Report No. 5: Updating competition and consumer law for digital platform services (ACCC’s DPSI 5 Report) does not establish clear actual *competitive* harms, and neither do stakeholders who have participated in the Committee’s inquiry (as to which, see the data on app stores and ad tech, above). Instead the focus is on speculative harms that “*may*” or “*could*” arise. For example:

- In relation to “self-preferencing”, the ACCC states “*some digital platforms with market power are engaging in self-preferencing conduct that **may** have anti-competitive effects*”.⁶⁴ The ACCC also acknowledges, “*not all forms of self-preferencing by digital platforms are problematic, and some may be benign or even pro-competitive*”.⁶⁵
- The ACCC states that interoperability restrictions on Android are “**likely to have impacted competition**.”⁶⁶ But it provides no evidence that this is the case. In fact the ACCC’s App Store Report acknowledged that the ACCC had not “*been informed of significant developer concerns about how Google provides access to Android and proprietary APIs*.”⁶⁷ Android is open-source so is, by definition, fully interoperable.
- The ACCC raises concerns that Google has “the **ability and incentive** to extract hidden fees” in its ad tech auctions, despite also acknowledging that “*a number of studies*” suggest this is unlikely.⁶⁸

We agree with other stakeholders that participated in the ACCC’s Fifth Interim Report⁶⁹ that Australia should take the opportunity to learn from international experience. The EU’s Digital Markets Act (DMA), for example, is a novel and untested piece of legislation. The impact of its provisions on consumer welfare, innovation, efficiency, and competition will only become apparent over time. Similarly, Australian policy makers could gain valuable insights from observing the outcomes of digital platform regulation in the UK, if and when that occurs, noting the different design and implementation approaches currently being explored in those jurisdictions.

We continue to believe that a proper cost / benefit analysis is an essential precursor before considering whether to adopt any new regime in Australia. Accordingly, we encourage the Australian Government to undertake further consultation on concrete proposals to allow for careful consideration of the interaction of individual rules with each other and with Australia’s existing laws, as well as any

⁶³ Australian Government Department of the Prime Minister & Cabinet, Office of Best Practice Regulation, [Guidance Note: Cost-Benefit Analysis](#), March 2020.

⁶⁴ [ACCC’s DPSI 5 Report](#), p124.

⁶⁵ *Ibid*, p125.

⁶⁶ *Ibid*, p159.

⁶⁷ *Ibid*, p62.

⁶⁸ *Ibid*, p176.

⁶⁹ See, for example, submissions in response to the Discussion Paper from the [Law Council of Australia](#), 2 May 2022, [Amazon Australia](#), 2022 and [Gumtree](#), 2022.



unintended consequences from the proposed rules. As noted by the Business Council of Australia in its response to the ACCC's Discussion Paper for the ACCC's DPSI 5 Report:

'Poorly crafted regulation will ... make Australia less competitive and less attractive as a destination for international capital. This is not only through the direct costs of bad regulation, but also by disincentivising existing businesses from modernising their business models - either through new explicit regulatory barriers, or from the signal sector poor specific regulation sends about government's attitude towards what the Discussion Paper calls 'digital' activities. This would be a very poor outcome: Australia's future prosperity relies on businesses modernising and taking up new technologies and ways of doing business. Without this, we will be left behind.'⁷⁰

If the Government is satisfied, on the basis of further analysis, that substantial harms to competition are established, the regulatory regime to address them should contain the following elements to ensure it promotes pro-consumer outcomes and does not dampen incentives to innovate and invest:

- a. **Enhancing consumer welfare:** Promoting competition and innovation, and enhancing the welfare of consumers, should be the ultimate objectives. The framework should not permit obligations that promote the interests of individual competitors.
- b. **Proportionate obligations:** Rules on conduct (and the consequences of non-compliance) should be necessary and proportionate to the seriousness of the anticipated harm and the likelihood of it occurring.
- c. **Safeguards and justifications:** Evidence-based justifications for conduct under scrutiny should be embedded in the overarching framework.
- d. **Appropriate legal rights:** Suitable protections and review mechanisms should be incorporated to ensure the integrity of a new regulatory framework. As under the CCA today, the Federal Court should be responsible for determining whether a breach of the regime has occurred. Full merits review by a Court should be available (where appropriate) for decisions that have legal consequences.
- e. **Separation of powers in the making of rules and enforcement of rules:** There should be a separation of powers between the bodies making rules (and if applicable, designation) and enforcing the rules.

Thank you for the opportunity to provide this supplementary information to support our submission of 19 May 2023 and oral evidence. We look forward to continuing to support this Committee and the Government in its consideration of these important issues.

⁷⁰ Business Council of Australia, [Digital Platforms Services Inquiry - Interim Report: Submission on the Discussion Paper for Interim Report No. 5](#), April 2022, p3.