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Google Australia thanks the Senate Standing Committees on Environment and Communications for the opportunity to respond to this Inquiry on [Media Diversity in Australia](#).

The advent and expansion of the Internet has resulted in an information environment in which Australians are better able to reach primary sources of information - from publications by subject matter experts in business, government and academia, to a plethora of entertainment and commentary relating to almost any niche interest imaginable. It should be recognised that in many cases Australians seeking reliable information related to public interest issues and current events now seek information independently, when in previous years the role of presenting information was in large part borne by media institutions.

Google plays a role in this ecosystem, providing a global platform that helps to ensure Australians are best able to reach the content most relevant to their queries. This includes the local and international news content provided in response to the 1.25%¹ of total Google queries seeking news content entered by the 20 million Australians who use Google every day.

The past decade has seen a rapid diversification of digital information sources driven by the widespread availability of low cost tools for information publishing and consumption, and resulting disintermediation of incumbent media institutions as the sole gatekeepers for many kinds of primary source information. This has left traditional media institutions exposed to competition from new entrants for reader attention and advertising revenue.

Many of these new publishers were able to establish themselves by effectively leveraging referral traffic sources such as Search. Google directed more than 3.4 billion visits to Australian news publishers in 2018, a large proportion of which served diverse audiences such as those in rural communities, younger demographics or focusing on specialist topics.

The Missing Rivers of Gold

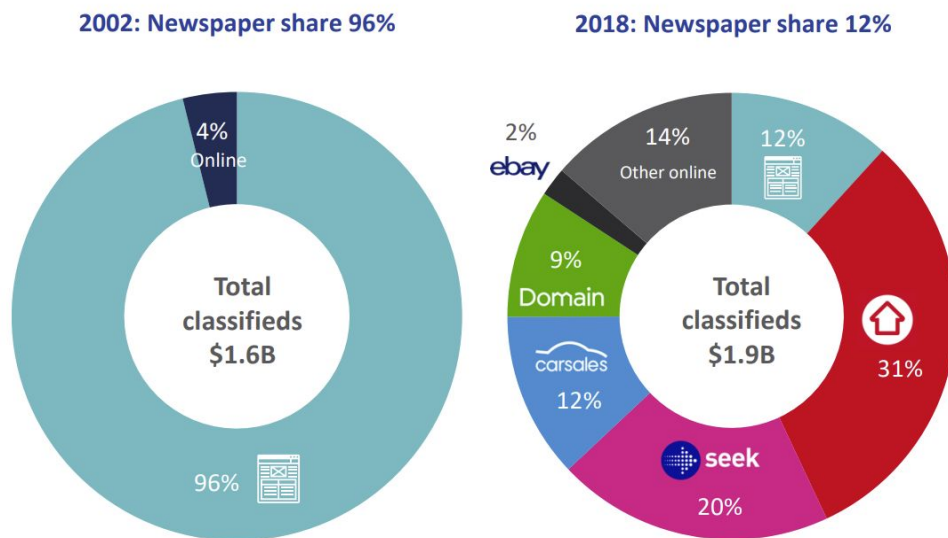
A recent investigation of Australian media industry economics by the economists at AlphaBeta found that between 2002 and 2018, newspaper revenues fell \$1.4 billion, from \$4.4 billion to \$3.0 billion. However, 92% of the decline was due the loss of classifieds, which are often described as the 'rivers of gold' that once cross-subsidised Australian newspaper journalism. Classifieds contributed \$1.5 billion of newspaper revenues in 2002, but just \$0.2 billion by 2018.

¹ In 2018, news-seeking queries made up about 1.25% of the total queries entered by users of Google in Australia

Where did this revenue go?

Classified revenues grew from \$1.6 billion to \$1.9 billion between 2002 and 2018. However, newspapers yielded classified revenues to online ‘pure plays’: real estate listings sites such as Domain and realestate.com.au; online job boards including Seek; automotive classifieds such as Carsales, and marketplaces like eBay and Gumtree.

Classified advertising revenues, print newspaper vs online
Nominal \$AUD billions, 2002-2018



Sources: IAB Online Advertising Report; REA; Domain; Seek; Carsales; AlphaBeta analysis

Who owns the companies that have acquired this revenue?

Classified revenues flowed to specialist classified sites, many of which are owned or controlled by Australian media conglomerates. Among these, <https://www.realestate.com.au/> (#1 at 31% classified ad share, owned by News Corp) and <https://www.domain.com.au/> (#4 at 9% classified ad share, owned by Nine Network) are among the largest sites earning classified revenue in Australia.

Where did Google’s revenue come from?

The scale and scope of the internet - there are now more than 1.8 billion active websites - has expanded the possibilities for advertisers by lowering the cost of advertising. In doing so it has captured a large proportion of the growth in total advertising revenues - much of it new money that is being spent on advertising because the entry costs are lower. Google’s financial success comes largely as a result of its strong performance in advertising associated with search - particularly intent-driven queries in high-value areas such as insurance, travel and healthcare - as well as local businesses and user-generated video content.

Between 2002 and 2018 Australian advertising revenues increased from \$8.9 billion to \$16.6 billion, of which \$3.6 billion was created by the growth of online search advertising.

This growth is in large part attributable to the accessibility of online search engines for small businesses, which otherwise would not be advertising, and the removal of historical barriers to entry in advertising. Very little of this revenue was previously attributable to news businesses.

What about newspaper advertising revenue during this time?

Research by AlphaBeta shows that news media businesses increased their print and digital display advertising revenue by about \$100 million between 2002 and 2018. Print advertising revenue shrank from \$1.6-1.2 billion during this period, but that decline was offset by a growth in digital advertising revenue from zero to \$500 million.

What does this mean in the context of the public debate?

A large portion of the classified revenue that previously funded journalism at news businesses still flows to the same media business owners, but no longer cross-subsidises journalism in the way that it used to. The ‘rivers of gold’ now flowing to companies like realestate.com.au and Domain are no longer used to cross-subsidise journalism.

These facts have not appeared prominently in media articles that influence the public debate about the economics of Australian journalism, and the resulting policy environment has already led to outcomes likely to be damaging for small news publishers.

News in Search

Google’s aim is to provide the most relevant information to a user in response to their search query. In 2018, news seeking queries made up about 1.25% of the total queries entered by users of Google in Australia.

On the other hand, Google Search sent 3.44 billion clicks to Australian news publishers from Australian and global users in 2018, representing an estimated value of around \$218 million. By sending user traffic to news businesses, Google helps those businesses generate revenue on their websites, including through advertising, paid content and subscriptions.

Search engines are important for the thousands of smaller publishers who are not a household name and instead compete solely on the quality and relevance of their content. By highlighting the most relevant content rather than the most recognised brands, Google provides an opportunity for smaller publishers and in doing so makes an important contribution to Australian media diversity.

A number of small publishers have explicitly outlined this benefit during submissions to the News Media Bargaining Code process. For example, in their submission [GoAutoMedia](#) wrote *“This contribution by Google not only helps small online publishers to stay in business and grow it also helps newcomers to get started by lowering the barrier to entry. By helping small publishers to make a good fist as news and reviews websites Google is*

driving diversity of opinions and the development of writing talent in the market.”² Similarly, in a letter to local MPs shared with Google, [ScienceAlert](#) wrote that “more than 70% of our traffic and revenue comes from distribution on Google and Facebook’s platforms. Thanks to the digital distribution landscape they have created, we are a profitable media company.”³

Google does not run ads on Google News or the news results tab on Google Search. In 2018, Google generated approximately AU\$10 million in revenue - not profit - from clicks on ads displayed in response to possible news-seeking queries in Australia. Google’s revenue predominantly comes not from businesses advertising against news queries, but from queries with commercial intent, as when someone searches for ‘running shoes’ or ‘flights to Canberra’ and then clicks on an ad.

If a news site (or any other site) does not want to appear or wishes to control what is shown on Google, they can choose to do so. They can do that whether their site is paywalled or free to view.

ENDS

²<https://www.accc.gov.au/system/files/John%20Mellor%20%28Owner%20and%20publisher%20of%20GoAuto%20Media%29.pdf>

³ <https://drive.google.com/corp/drive/u/0/search?q=Sciencealert>