

Further input to response to the European Commission's Public consultation on the role of publishers in the copyright value chain and on the 'panorama exception'

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Google believes in the importance of European cultural diversity and creative industries.

The growth of the Internet has led to opportunities and challenges for European creative sector businesses, as they have transformed their operations in light of the online market and changes in consumer behaviour.

The impact of the Internet on business models has perhaps been most significant in the case of established players, who have had to transform existing businesses to account for new modes of access, distribution and new realities in the world of advertising.

Despite these challenges, however, we believe the internet represents a formidable opportunity for growth across the creative sector, for the place of European culture in the world and for European consumers. Indeed, many businesses across the creative sector have already begun to seize the benefits of the online world. Today, digital is the major source of revenue growth for the European creative industries. Over the past decade, all growth in Europe's creative sector was driven by digital: 22 Billion EUR over the past decade¹. Consumer spend on the creative industries has also increased 25%². Digital is also spurring growth in jobs in the creative sector. For example, UK Culture Ministry research reveals that the IT sector (programming and publishing of software, gaming, etc.) is the highest net job creator in the UK creative industries, adding 94,000 jobs to the UK economy between 2011 and 2013³. Finally, digital innovation is spurring creative industries that did not exist a decade ago. The EU App economy – which would not exist but for mobile devices and operating systems – employed 1 million people in 2013 (creatives such as script writers and developers) and is projected to employ almost 5 million people by 2018⁴.

Google is committed to supporting European creative industries, and publishers in particular, in reaping the benefits of these opportunities. One such opportunity is the growth in mobile consumption. Ownership of Internet-enabled mobile phones increased by 42% between 2012

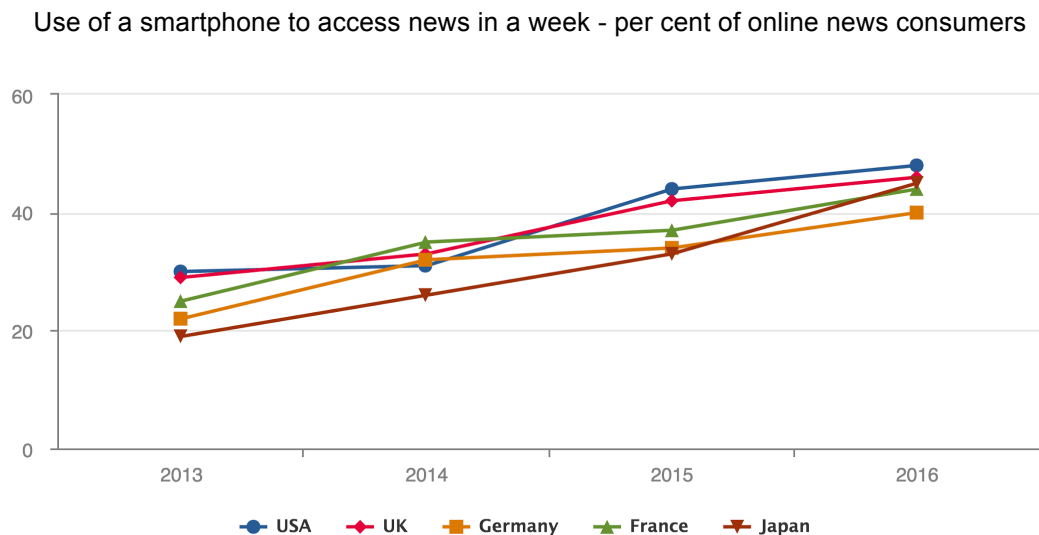
¹ Strategy &, 'The digital future of creative Europe' (2015), <http://www.strategyand.pwc.com/reports/the-digital-future-creative-europe>

² Booz & Co, 'The digital future of creative Europe (2013)', <http://www.strategyand.pwc.com/reports/digital-future-creative-europe>

³ <https://www.gov.uk/government/statistics/creative-industries-economic-estimates-january-2015>

⁴ Plum, 'All about that app' (2015) www.lisboncouncil.net/component/downloads/?id=1138

and 2015, and time spent accessing the Internet via mobile devices has grown accordingly⁵. Today, 53% of news consumers report that they use a smartphone to access news⁶.



Source: Reuters Institute Digital News Report 2016, p.14.

We work hand in hand with European partners to develop products and tools that support a sustainable transition to digital for creative industries. Google invests heavily in new products for discovery, access and monetization; as well as for the protection of intellectual property. Google's business model is very much one of partnership: we succeed when our partners succeed, including those in the creative sector. Sustainable growth for the creative sector is a win-win.

It is from this position of partnership, and with the shared perspective of the value of journalism to society, that we would like to set out why introducing a new neighbouring right for publishers will cause unintended negative consequences. While the precise nature of such proposed new rights remains unclear, our concern is that the creation of a neighbouring right would inhibit the capacity of the sector to innovate and adapt to changing news consumption patterns. In particular, we are aware that some news publishers support a right along the lines of those introduced in Germany and Spain, both of which had the outcome of requiring web platforms to pay to show short quotations of text ('snippets') alongside hyperlinks to original articles. These laws have resulted in no benefits for publishers, and in fact have led several publishers to oppose them as harmful to their businesses⁷. They have also created obstacles for online platforms and barriers for consumers seeking to find diverse sources of news, among other collateral damage.

⁵ Strategy &, 'The digital future of creative Europe' (2015), <http://www.strategyand.pwc.com/reports/the-digital-future-creative-europe>

⁶ Reuters Institute Digital News Report 2016, <http://reutersinstitute.politics.ox.ac.uk/sites/default/files/Digital-News-Report-2016.pdf>. The report covers 26 countries, including 17 EU member states.

⁷ See e.g. <http://ecoteuve.eleconomista.es/ecoteuve/prensa/noticias/7111513/10/15/Antonio-Cano-Los-medios-espanoles-hemos-sido-demasiado-agresivos-con-Google.html>

Google fights online piracy

Whenever a rightholder informs us that a link or an image found on our search engine infringes their copyright, we remove it. We're able to process these notices, on average, within six hours and remove over 98% of these links to webpages.

Moreover, we use these notices to demote sites for which we receive a large number of valid removal requests notices, making them less visible in search results.

For copyright owners who have demonstrated a proven track record of submitting accurate notices and who have a consistent need to submit thousands of webpages each day, we created the Trusted Copyright Removal Program for Web Search (TCRP). TCRP facilitates "bulk processing" of removal requests for copyright owners. There are now more than 114 TCRP partners, and the service is used by publishers like Harper Collins and Random House.

Google also supports the "follow the money" approach, aiming at attacking the source of revenues of rogue websites exploiting counterfeited content.

Google partners with news publishers

Google works with publishers across Europe in a number of areas to increase traffic, revenue and user engagement on their websites. Google's products and services drive over 10 billion clicks a month to publishers' websites globally, and our advertising tools help publishers make money from those visits. In 2015, our partners around the world earned more than USD 10 billion using our AdSense products.

Today more than 75,000 organisations take advantage of Google News to reach readers and 4,000 news sources provide both free and subscription-supported content in the Google Play Newsstand.

In 2015, Google launched the Digital News Initiative (DNI) in partnership with publishers around Europe⁸. The DNI aims to promote innovation and new business models in journalism by building new technologies; providing funding for startups and other innovators; and supporting research and training. The DNI's innovation fund has given grants of a combined €27 million to 128 projects in 23 European countries. Over 12,000 journalists, academics and students across Europe have received training support from our Google News Lab since April 2015. Accelerated Mobile Pages (AMP), an open-source standard for specially formatted web pages that enable extremely fast content on mobile devices, was developed with publishers in the DNI and is now used by over 100 European publishers, including La Stampa, Zeit Online, Bild, Die Welt, Les Echos, The Independent, and El Pais.

Publishers benefit from Google services

Our aim is to support thriving businesses in the news industry -- an important goal. We fear that a new neighbouring right will be counter-productive. Google has long argued that web platforms provide benefit to publishers. Google services alone send 10 billion clicks worth of traffic to news publisher websites each month, and each visit is an opportunity to earn revenue through advertising or subscription. Deloitte has estimated that referral traffic was worth €746 million to

⁸ <https://www.digitalnewsinitiative.com/>

news publishers in the UK, Germany, France and Spain in 2014, and that each visit referred to a news website is worth between €0.04 and €0.08⁹.

Google works with publishers to help them make money from this traffic through advertising, and we have built commercial partnerships with major publishers across the EU.

Furthermore, services such as app stores, Apple News, Google Play Newsstand and Blendle offer publishers an opportunity to sell their products, showing that web platforms are already working closely with the news industry to mutual benefit.

While the challenge of transitioning to digital should not be underestimated, we would also note that many news publishers are adapting quickly and successfully. In 2014, digital accounted for 70% of the Financial Times' total paying audience¹⁰, as online subscriptions grew by 21%; and digital content revenues increased by double digits in the year period ending in July 2015¹¹. Axel Springer also saw the benefits of digitisation with pro-forma revenues from digital activities at Axel Springer rising from €1,568.6 million to €1,705.8 million¹². Digital business models at Axel Springer now account for 67% of the overall revenues and 72% of the EBITDA of the Axel Springer group¹³.

This inflow of readers and referral traffic comes from a wide variety of different sources (see table below). The latest edition of the Reuters Digital News Report for instance finds that half of online users (51%) now get news from social platforms such as Facebook.¹⁴

⁹ 'The impact of web traffic on revenues of traditional newspaper publishers: A study for France, Germany, Spain and the UK', Deloitte LLP, <http://goo.gl/XcnLG4>

¹⁰ <http://aboutus.ft.com/2015/02/27/financial-times-2014-results/#axzz3pmjgiADd>

¹¹ <http://aboutus.ft.com/2015/07/24/ft-2015-half-year-results/#axzz3pmjgiADd>

¹² http://www.axelspringer.de/en/presse/Axel-Springer-profited-in-2014-from-increasing-revenues-and-earnings-contributions-from-digital-activities_22817400.html

¹³ http://www.axelspringer.de/en/presse/Axel-Springer-starts-the-financial-year-with-strong-earnings-growth_27178152.html

¹⁴ <http://www.digitalnewsreport.org/survey/2016/overview-key-findings-2016/>

Starting point for news – Europe, per cent of online news consumers

Country	Direct to news brand	Search (1)	Social Media	Email	Mobile notifications and alerts	Other aggregator sites, newsreaders, apps
United Kingdom	52%	32%	28%	10%	10%	4%
Germany	26%	45%	20%	15%	9%	5%
Ireland	44%	46%	36%	9%	9%	7%
France	27%	40%	21%	21%	14%	6%
Spain	36%	54%	35%	14%	8%	11%
Italy	20%	66%	33%	17%	7%	6%
Denmark	54%	29%	38%	24%	9%	9%
Finland	63%	26%	28%	9%	7%	12%

Source: Reuters Institute Digital News Report 2015, p76. Search includes news accessed from news aggregator sites operated by search engines and includes navigational queries.

To conclude, Google recognises the challenges facing the news industry, and we engage with partners around Europe to tackle these challenges, through product development, investment in training and innovative projects, and commercial partnerships.

We believe that collaboration and a focus on innovation is a better approach--an approach more likely to lead to sustainable growth and business development--than new legislation in this area. We are at your disposal to discuss in more depth any aspect of our response; and we look forward to continuing to engage with the European Commission and European publishers to address these issues.