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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
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Executive Summary of the Roundtable on Competition issues in News Media and Digital Platforms

Annex to the Summary Record of the 136th meeting of the Competition Committee

3 December 2021

This Executive Summary by the OECD Secretariat contains the key findings from the Roundtable on Competition issues in News Media and Digital Platforms held by the Competition Committee on 3 December 2021.

More documents related to this discussion can be found at
<https://www.oecd.org/daf/competition/competition-issues-in-news-media-and-digital-platforms.htm>

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Executive Summary of the Roundtable on Competition issues in News Media and Digital Platforms

By the Secretariat*

On 3 December 2021, the Competition Committee held a roundtable on Competition Issues concerning News Media and Digital Platforms.

Based on the background note prepared by the OECD Secretariat, written submissions from delegates, and the contributions by expert panellists and delegates to the discussion, the following key points emerged:

1. The competitive dynamics between digital platforms and news media are complex, encompassing both vertical and horizontal dimensions.

The internet reduced costs of publishing and distributing news content, while digital advertising is becoming increasingly important for news publishers.

However, with the shift towards digital distribution, advertising revenue for news publishers deeply declined. In the United States, newspapers' advertising receipts fell by more than half between the mid-2000s and the early 2010s, and they continue to decline. Increased competition, including from large digital platforms, contributed to such decline. This has led to less news coverage (especially at local level) and it may have contributed to a wave of consolidation in the industry. Since 2004, 1,800 newspapers have closed down in the United States alone, with the result that half of US counties now lack a daily newspaper.

The internet has also changed news consumption, with an increasing tendency to multi-home and with consumers playing a more active role.

To ensure that content is widely distributed, news publishers engage with several digital platforms. This relationship is characterised by a tension between the benefits of using digital platforms as effective distribution channels and the concern to become "too dependent" on these platforms. Indeed, for a number of news publishers, digital platforms are now considered unavoidable business partners for news referral services and online distribution of content.

Moreover, large digital platforms are also key providers and intermediaries in the supply chain for display advertising services sourced by news publishers. At the same time, digital platforms have become important competitors of publishers for user attention and for the supply of display advertising space.

Finally, digital platforms and news publishers overlap is the curation of news content (i.e. collecting, analysing and presenting news) with digital platforms increasingly acting as news curators. The UK communications regulator Ofcom reported that 33% of online news users cite social media posts as their main source of news.

2. There are several digital platforms' practices raising competition concerns. A key distinction is between alleged exploitative and exclusionary conduct, depending on

* This Executive Summary does not necessarily represent the consensus view of the Competition Committee. It does, however, encapsulate key points from the discussion, the delegates' written submissions, and the panellists' presentations.

whether the focus is on vertical relationships (mainly news referral services) or horizontal relationships (mainly display advertising services).

Commentators and a few competition authorities have considered whether digital platforms holding substantial market power in their core business (such as general search services or social networks) may be coercing publishers to adhere to policies that benefit the platform but harm their own interests, or may be freeriding on publishers' investments to generate news content.

A first practice of concern is the use of snippets, which are excerpts of content displayed on general search services. Snippets may reduce the incentives for users to access news content on publishers' websites and apps. Moreover, there seem to be limited negotiations as to the terms of these snippets.

Another practice of concern are publication formats. Digital platforms implemented optimising formats, which appear *a de facto* requirement on news publishers. The main concern is that – through these tools – consumers remain within the digital platform's ecosystem while browsing news content. In turn, this conduct has two main consequences on news businesses: (1) diversion of traffic; and (2) digital platforms' collection of user data, which allows them to better target advertising.

More broadly on access to user data, the concern is that, while free riding and monetising on the value of publishers' content, digital platforms gain a competitive advantage against publishers in digital advertising.

There are also concerns regarding digital platforms' algorithms for selection, curation and distribution of news content. First, changes in digital platforms' algorithms seem to have substantial impact on traffic and monetisation of news content. Second, news publishers' content is often distributed next to non-professional content, and such distribution may affect publishers' reputation in the long run.

3. The market power of digital platforms in ad tech intermediation services affects the remuneration of news publishers, undermining publishers' incentives to provide high-quality content.

Several authorities have found evidence of high market shares in a number of layers of the ad tech stack. The main concern is that digital platforms' market power in display advertising may translate in higher fees for ad intermediation services. Moreover, recent market studies showed a lack of transparency in the ad tech supply chain, in particular in the remuneration received by publishers for the sale of their inventory. In some transactions, publishers and advertisers are unable to identify each other, which prevents them from establishing long-term relations. Publishers also do not have information on how much advertisers are willing to pay for their inventory, which makes it more difficult for them to determine optimal reserve prices in response to demand, reducing their revenues.

4. Initiatives to address market power in digital advertising and remuneration of content distributed through digital platforms range from reforms of copyright laws, rebalancing the negotiating powers of news publishers *vis-à-vis* digital platforms, to competition enforcement cases.

A first type of regulatory initiatives focusses on ensuring a "fair" remuneration for news content distributed through platforms with substantial market power. These interventions appear to address digital platforms' alleged exploitative conduct, evening up the bargaining imbalance through regulatory tools (e.g. copyright laws). In a few jurisdictions, they also aim at allowing news publishers to collectively bargain commercial terms with digital platforms. Some delegations, however, noted that allowing collective bargaining to address the imbalance of negotiating power should be considered with caution.

A second type of initiatives are competition authorities' market studies and sector inquiries as well as broader ex-ante regulations to address digital platforms' market power.

Finally, enforcement cases mainly concern market power in digital advertising as well as exploitative conduct by dominant digital platforms to frustrate the objective of copyright laws.

5. Although not all challenges facing news publishers are a direct result of competition problems, lack of competition in online services can lead to consumer harm and wider social harms. It is important to understand market failures and competition-related concerns before designing targeted remedies.

There are issues around market failures, market power and strong bargaining positions. Consumers can be harmed through a reduction in the quantity and quality of news available. Without a competitive environment in which high-quality news is fairly rewarded, consumers may be deprived of journalism critical for democratic society and economic development. Competition concerns can also exacerbate broader online harms, for example from 'fake news' and misleading information. However, there is still limited data on competition-related effects of digital platforms' practices raising concerns.

There are significant differences across jurisdictions as to how theories of harm are pursued, in particular whether through abuse of dominance cases or other means such as market studies and new regulation. Irrespective of the tools employed, designing suitable and effective remedies remains a key challenge.

While competition law can have an impact, there are aspects that competition law may not address equally well. For instance, there are risks of adverse selection with regard to quality of news content, where increased competition might create an incentive (at least in the short term) to opt for click-attractive content. Therefore, other policies could complement competition interventions.