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General Manager
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Dear General Manager

Submission - Competition Policy Review Final Report

Introduction

Google welcomes the opportunity to provide a submission to Government on the recommendations contained in the Competition Policy Review Final Report (the **Harper Report**).

Google provided two previous submissions to the Competition Policy Review, copies of which are accessible on the Competition Policy Review website. Those submissions, together with this submission, form Google's response to the recommendations in the Harper Report. In summary, those submissions:

- highlight the transformative nature of the Internet and digital technologies and their direct benefits to the economy, including increasing productivity;
- emphasise that the Internet is an open access platform that empowers consumers and levels the playing field for business, particularly small business;
- consider the unique competitive dynamics in online markets; and
- identify the regulatory impediment presented by Australia's inflexible, closed, copyright regime.

In terms of Google's response to the Harper Report, Google endorses the Panel's emphasis on the importance of digital transformation and the acknowledgement of the powerful pro-competitive, consumer centric, effects that digital technologies are having on the Australian economy.

Finally, Google agrees with the identification in the Harper Report of Australia's intellectual property regime as a priority for review.

The Internet and digital technologies

The Internet and digital technologies are the engine room for economic growth and innovation. Digital technologies have fostered innovation, increased competition and driven productivity and economic growth. As recently recognised by the Government in the Intergenerational Report, "[c]ontinuing to encourage *entrepreneurship and innovation*, enhancing resource allocation, investing in and using infrastructure efficiently, facilitating trade with other countries and improving physical and human capital investment will all be critical to ensuring Australia's future productivity performance"¹ (emphasis added).

To this end, Google is particularly pleased that both major parties have recently embraced the importance of ensuring that Australians have the skills they will require for the jobs of the future. Introducing science, technology, engineering and mathematics, or STEM, into school curricula is an essential component in investing in our human capital.

New research

New research by Deloitte Access Economics,² published shortly prior to the release of the Harper Report, indicates that the digitally-enabled economy is one of the most important sources of economic growth and productivity for Australia. The Deloitte research found that:

- the digital economy was worth approximately \$79 billion in financial year 2013/14, equivalent to 5.1% of GDP, making it larger than the agriculture, retail or transport industries;
- the digital economy has grown by 50% since 2011 and could be worth \$139 billion by 2020;
- the Australian economy was \$45 billion larger in financial year 2013/14 (approximately 3% of the Australian economy), than it would have otherwise been because of the benefits of digital technologies;
- consumer benefits derived from digital technologies are worth about \$75 billion per annum - up 20% since 2011.

Further, in recent research released by Boston Consulting Group (**BCG**),³ which examines the economic impact of the digital economy related mobile devices (such as smartphones, tablets, and wearables)⁴ across 13 countries including Australia, BCG calculated that the mobile Internet is

¹ 2015 Intergenerational Report Australia in 2055, (2015) 92.

² Deloitte Access Economics, *The Connected Continent II: How digital technology is transforming the Australian economy* (2015).

³ The Boston Consulting Group, *The Connected World, The Growth of the Global Mobile Internet Economy* (2015).

⁴ This excludes economic activity generated by the broader mobile technology industry, such as revenues generated by phone calls, SMS "texting," the manufacturing of non-Internet-enabled devices (feature phones, for example), and capital expenditures for non-digital data activities on mobile networks.

generating \$682 billion in revenues annually. This is the equivalent of \$780 per adult. BCG also calculated that the Mobile Internet has created employment for about 3 million people. In Australia, the mobile Internet generated \$17 billion in 2013. Mobile Internet revenues are also forecast to grow by 10% per annum in Australia to \$24 billion in 2017.

The BCG report also indicated that consumers are the biggest beneficiaries of the mobile Internet. On a per capita basis, the report found that Australian consumers enjoy mobile Internet surpluses (being the perceived value that consumers themselves believe they receive over and above what they pay for devices, applications, services, and access) of more than \$6,000 per year.

In an era of low economic growth, it is digital technologies which represent the best opportunity for Australia's future economic prosperity and security. In this context, it is essential that the Government ensures that appropriate policy settings are in place, including appropriate competition policies, to enable Australian businesses to make the most of digital technologies, which are ultimately to the benefit of the Australian economy and Australian consumers.

Recommendation 6 — Intellectual property review

Google strongly endorses recommendation 6 of the Harper Report that the Australian Government task the Productivity Commission to undertake an overarching review of intellectual property as part of a 12-month inquiry.

Google also endorses the recommendation that the review focus on competition policy issues in intellectual property arising from new developments in technology and markets.

As the Panel acknowledges, keeping the balance right between maintaining incentives for creation while ensuring innovation, competition and consumer benefits is a priority area for review in light of technology and market changes.

As submitted in Google's responses to both the Issues Paper and the Draft Report, a modern and flexible copyright regime is a crucial component of Australia's economic policy as it transitions to an economy that relies heavily on knowledge, innovation, and creativity.⁵

While Google supports the inquiry, in its respectful opinion, that inquiry should not delay the Government from formally responding to the recommendations in the Australian Law Reform Commission's (**ALRC**) report titled 'Copyright and the Digital Economy' (ALRC Report 122).⁶ In particular, Google continues to urge the Government to act on the ALRC's recommendation to introduce a flexible fair use exception into Australian copyright law. To the extent that the inquiry by the Productivity Commission commences prior to any such formal response by the Government, or implementation by the Government of the ALRC recommendations, Google submits that the Productivity Commission be directed to have regard to those recommendations.

⁵ Google Australia, 'Submission to Issue Paper Competition Policy Review', June 2014, <http://goo.gl/bRzsov>.

⁶ That report was tabled in Federal Parliament on 13 February 2014 and represented the culmination of an 18 month inquiry, during which the ALRC produced two consultation papers, undertook 109 consultations and received 870 submissions.

