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Bad News for Users – Google News withdrawn from Spain after newspapers forced to charge for traffic

Stephen Lewis (RBB Economics) · Monday, January 5th, 2015

On 11 December 2014 Google announced that it would be closing down Google News in Spain. The decision came after the introduction of new copyright legislation supported by the Association of Editors of Spanish Dailies (AEDE) that forces all Spanish news publishers to charge aggregators like Google News for showing short extracts of text from their articles (“snippets”), whether they want to or not. This article offers a competition economist’s perspective on this (not explicitly competition policy related) turn of events. Before going further, however, two disclaimers are in order. First, I have advised Google on competition matters for a number of years (although the views expressed here are entirely my own). Second, I’m a heavy user of Google News. Luckily, I live in the UK where Google News (for the time being at least) is still freely available.

Legislation that results in the outright withdrawal of a product gives rise to welfare losses of a different scale to that competition economists are used to concerning themselves with. All the surplus associated with consumption and production of the good in question is lost. There may be arguments in favour of legislation that prohibits or restricts trade between otherwise willing counterparties; consumption may be bad for the consumer (e.g. drugs) or consumption may have negative side effects on others that are not parties to the trade (like industrial chemicals that damage the Ozone layer). In short, if A and B want to engage in an exchange we need a reason to stop them, like the exchange hurts B (and B doesn’t know what’s good for them) or it hurts a bystander, C.

Google News isn’t your typical product. It’s complicated by the fact that its use involves transactions amongst three parties: users, Google and newspaper publishers. Even more unusually, no monetary transfer takes place between any of these parties when Google News is used. As a user, I get a free news aggregation service from Google and (typically) free news content from the publisher. Aside from potentially paying in more abstract ways like revealing which news topics I am interested in to Google or having to see some advertising from the newspaper publisher (there is no advertising on Google News itself), this seems like an ok deal from my perspective as a consumer. And crucially, if I don’t like the deal, I don’t have to use Google News.

The nature of the transaction between Google and newspapers is more interesting in the present context. Clearly, Google is getting something valuable from publishers. The snippets that it places in Google News improve its news aggregation service and allow it to attract

consumers, in competition with other news aggregation services and with newspaper front-pages themselves. Equally clearly, newspaper publishers are getting something from Google News: traffic. This traffic is significant (1 billion monthly clicks according to [some reports](#)) but not enough to entertain thoughts of an essential facility argument for intervening in the pricing of that traffic; according to the [WSJ](#), total traffic from the closed Google News page is around 5% of overall online traffic for AEDE members.

Importantly, Google lets news publishers opt out of Google News. As Google's [support pages](#) make clear, to opt out of Google News, the publisher does not have to opt out of Google Search. This means that a newspaper can evaluate the costs and benefits of appearing in Google News independently of its decision over whether to remain indexed by Google Search. If the newspaper thinks the benefits of staying in Google News outweigh the costs, they will stay in Google News. Conversely, if a publisher stays in Google News, it is because they have deemed the benefits to outweigh the costs. To be clear, that's not to say there is no cost to the publisher. They have to give something up, a text snippet, in order to appear in Google News. But they can't claim that this is being stolen from them and they are getting nothing in return. Crucially, like users, if news publishers don't like the deal, they don't have to use Google News either.

So is there a good reason for legislation that forces a newspaper to charge Google News and other news aggregators for the snippet rather than just ensuring they have a right to charge? And who wins (if anyone) as a result of the withdrawal of Google News from Spain? To understand this, one has to recognise that Google News and other news aggregators result in users being exposed to news articles from a far greater variety of sources than would be the case in the absence of these services. Rather than sticking to one newspaper, starting with the front page, Google News makes it easy to consume news from many different sources ranging from the major daily newspapers to small web-only news publishers. Undoubtedly then, news aggregators expose the major newspapers like *el Pais* and *el Mundo* to competition from a broader set of news publishers than would otherwise be the case. The share of major daily newspapers in the total traffic that Google News sends out to news sites is low relative to their market positions more generally. The third party bystander, C, who is harmed by the transfer of traffic from a news aggregation service to a small news publisher is the major newspaper. In the absence of aggregation services, the major newspapers would see visits to news pages concentrated in the hands of fewer content providers.

If there are any winners from a restriction on the ability of newspapers to decide whether or not to charge news aggregation services for their snippets, it is the large newspapers that have successfully lobbied for this law (although there are [reports](#) that AEDE want Google News back and have made calls for intervention from Spanish and EU authorities in response to its withdrawal). By ensuring that smaller publishers can't "cheat" by giving away their snippets in exchange for free traffic, the large publishers have effectively closed off a method by which smaller publishers could have stolen their eyeballs. Clear losers then are those smaller Spanish publishers who, given a choice, would have rather offered up their snippets for free in order to boost traffic. Some small publishers have spoken out, like [Villalbainformacion.com](#) ("[Google News is a spectacular Web page, it would have really helped us to get some visibility](#)") and [eldiario.es](#) ("[It sets a bad precedent, having to pay to link ... When Google or Twitter is linking to my site, it's not stealing, it's doing me a favour](#)"). The biggest losers of all, however, are Spanish users of Google News, who for the time being at least, have lost a useful tool for finding news content on the web.

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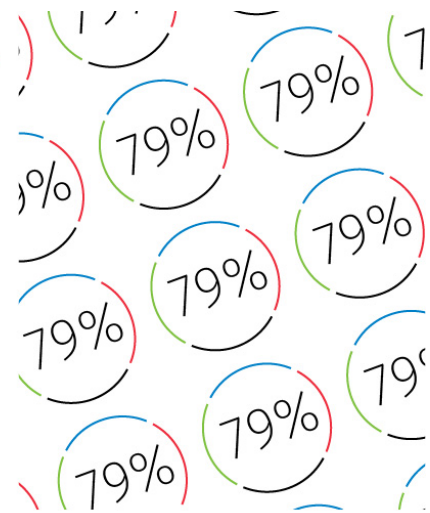
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