

# Statement by Commissioner Vestager on Commission decision to fine Google €2.42 billion for abusing dominance as search engine by giving illegal advantage to own comparison shopping service

**\*Please check against delivery\***

Today, the Commission has decided to fine Google €2.4 billion for breaching EU antitrust rules. Google has abused its market dominance as a search engine by giving illegal advantages to another Google product, its comparison shopping service. Google must end the conduct within 90 days or face penalty payments.

The EU's antitrust rules apply to all companies that operate in the European Economic Area, no matter where they are based. Their purpose is to ensure competition and innovation for the benefit of European consumers.

Google has come up with many innovative products and services that have made a difference to our lives. That's a good thing.

But Google's strategy for its comparison shopping service wasn't just about attracting customers. It wasn't just about making its product better than those of its rivals. Instead, Google has abused its market dominance as a search engine by promoting its own comparison shopping service in its search results, and demoting those of competitors.

What Google has done is illegal under EU antitrust rules. It has denied other companies the chance to compete on the merits and to innovate. And most importantly, it has denied European consumers the benefits of competition, genuine choice of services and innovation.

## *Facts of the case*

So, what happened in this case?

Google's flagship product is the Google search engine. It provides search results to consumers, who pay for the service with their data. Every year, Google makes almost 80 billion US dollars worldwide from adverts, such as those it shows consumers in response to search queries. So the more consumers see and click on those adverts, the more revenue Google generates.

In 2004, Google entered the separate market for comparison shopping with a product called "Froogle". Essentially, Froogle allowed consumers to compare products and prices online and find deals from retailers of all types. Over

the years, Google re-named its comparison shopping service twice, first to “Google Product Search” in 2008 and then “Google Shopping” in 2013.

Froogle was not the first in this market. A number of established players were already competing in the same space. Froogle, on the other hand, did not perform well. As Google itself put it in an internal document from 2006 – “*Froogle simply doesn’t work*”.

By contrast, Google’s search engine worked very well. And it was also a significant source of traffic for comparison shopping services.

So, in 2008, Google made a fundamental change to its strategy. Google started to give its own product a significantly better treatment than rivals. In search results, Google systematically gave prominent placement only to its own product. Google also demoted rival comparison shopping services, which means a lower ranking in generic search results.

So, what does this mean in practice? Imagine, you want to look for a product online. You type the product into the Google search engine. What you will see right at the top of the page is a box with Google Shopping’s results, with pictures and a selection of deals from different retailers. They are placed above the results that Google’s generic search algorithms consider most relevant. This happens whenever Google wants to present comparison shopping results in response to a search query. Sometimes, results are also displayed in a reserved place on the right-hand side.

At the same time, Google has demoted rival comparison shopping services in its search results. The evidence shows that even the most highly ranked rival appears on average only on page four of Google’s search results. Others appear even further down.

This means that Google Shopping is much more visible and other comparison shopping services are much less visible to consumers. As a result, competitors are much less likely to be clicked on. The Commission found evidence of sudden drops in clicks on certain rival websites of more than 90%, after Google applied demotions. Some of them adapted and managed to recover some traffic, but never in full.

Even on desktops, 95% of all user clicks are on the first page of Google’s search results. In fact, the top generic search result receives about 35% of all clicks. This tendency is even stronger on mobile devices. Furthermore, we found evidence that the top generic search result, when moved to the third rank, is likely to receive about 50% less clicks.

In short, visibility and traffic are two sides of the same coin. And I mean “coin” in the literal sense – the more consumers click on comparison shopping results, the more money Google makes. Google’s practices have therefore allowed Google Shopping to make significant gains in traffic at the expense of its competitors.

### *Breach of EU antitrust rules*

Our investigation assessed whether these practices breach EU antitrust rules.

Market dominance is, as such, not a problem under EU antitrust rules. However, a market that is already dominated by one company needs extra vigilance to ensure competition on the merits. And we also have to avoid that this dominance affects competition on the merits in other markets.

That's why EU antitrust rules put special responsibilities on dominant companies. They cannot abuse their strong market position to hinder competition in the market they dominate or in any other market. In other words, they are not allowed to abuse their power in one market to give themselves an advantage in another.

Our investigation proved that Google has done exactly that.

**First**, we concluded that Google is dominant in general internet search markets in all 31 countries of the European Economic Area – even if Google continues to dispute this.

We have shown that the Google search engine holds very high market shares of over 90% in most European countries. This has been the case since at least 2008, which is the period we investigated. There are high barriers to entry in the market: the more consumers use a search engine, the more attractive it becomes to advertisers. The profit generated can in turn be used to attract even more consumers. Similarly, the more data a search engine gathers from consumers, the better equipped it is to improve its results.

**Second**, our decision found that Google has abused this dominance and seriously harmed competition in comparison shopping markets. Google gave an illegal advantage to its comparison shopping service by promoting it in its search results and demoting rivals.

Google has implemented these illegal practices in Europe everywhere it offers comparison shopping services. It started from as early as 2008 in Germany and the United Kingdom, followed by France, Italy, the Netherlands, Spain, then the Czech Republic and finally Austria, Belgium, Denmark, Norway, Poland and Sweden. 418 million citizens live in these 13 countries. So, Google's practices have deprived millions of European consumers of the full benefits of competition, genuine choice and innovation.

#### *Consequences from this decision*

The fine of €2.4 billion reflects the serious and sustained nature of Google's violations of EU antitrust rules.

The decision requires Google to stop its illegal conduct within 90 days. Google must respect a simple principle:

It has to give **equal treatment** to rival comparison shopping services and to its own. It has to apply the same methods and processes to position and display its own and rival comparison shopping services in its search results.

This means that Google cannot simply stop doing what it is doing now and replace it with other practices that have the same or equivalent anti-competitive effect.

It is Google's sole responsibility to ensure compliance and it is for Google to explain how it intends to do so. I have no reason to believe that Google will not comply.

But regardless of which option Google chooses, we will monitor Google's compliance closely. This means that this issue will remain on our desks for some time. If Google doesn't comply with its obligations under the decision, it would be subject to a penalty. That would have to be established in a separate Commission decision. We can impose fines of up to 5% of the average daily worldwide turnover of Alphabet, Google's parent, for each day of non-compliance. And it's backdated from the date of that decision to when the non-compliance started.

In addition, anyone who has suffered damage from Google's illegal behaviour can claim compensation from Google before national courts.

So, this decision requires Google to change the way it operates and face the consequences of its actions.

### *Process*

Since I took office in November 2014, I have given high priority to this case. Because various attempts to find a negotiated solution with Google had failed, I chose to take the case forward in a different way. My services first updated the information in the files. In April 2015 we then sent our Statement of Objections to Google, followed by a supplementary one in July 2016.

Before reaching our conclusions we have analysed huge quantities of data. This includes 5.2 Terabytes of actual search results from Google. That's the equivalent of 1.7 billion search queries, or about 460 million copies of my statement here today. It would take me more than 17,000 years to read them out.

Our decisions have to be based on firm evidence. We have to prove our points, even if they seem intuitive. Let's take, for example, the impact of prominent placement in Google's search results on traffic. First, we analysed studies on user click behaviour, which indicated that there is a link. But we did not stop there. We also accounted for the possibility that there may be good reasons why users click on the top result more often – namely, because they are more relevant. So, we simulated what happens if you swap the ranking of generic search results. This confirmed that the same result receives significantly more traffic, when ranked higher up.

Our investigations never take place in isolation. We had many exchanges with Google to hear its views. And we had many exchanges with its customers and competitors. Some of them, including US companies, were actively involved as complainants or interested third parties. And hundreds of companies took the time to reply to our questionnaires and to provide the Commission with essential information.

So, we took this decision after a thorough investigation that respected

Google's rights of defence. We will publish the decision for all to see, as soon as we agree with Google and third parties on any confidential business secrets that need to be removed.

### *Next steps*

We are also making good progress with our two other pending inquiries into certain Google practices concerning Android as well as search advertising. Our preliminary conclusion in relation to both practices is that they breach EU antitrust rules.

Finally, a few words on concerns that Google may have abused its dominance as a search engine to give an illegal advantage to Google products other than its comparison shopping service. We have been looking into these. And today's decision is a precedent, which can be used as a framework to analyse the legality of such conduct. At the same time, we would have to take account of the characteristics of each market and the facts in a specific case.

### *Conclusion*

But most importantly, what today's decision shows is that, in Europe, companies must compete on the merits, regardless of whether they operate online or on the high street, if they are European or not. We invite you to make the most of our European market with more than 500 million citizens, so 500 million potential customers. And, we congratulate you for being successful.

But the applause stops when you stop competing on the merits. You will never get a free pass to stop competing on the merits, neither in the market you dominate nor in other markets.

Google has given its comparison shopping service an illegal advantage by abusing its dominance in general internet search. It has promoted its own service and demoted rival services. It has harmed competition and consumers. That is illegal under EU antitrust rules.

And that's why we have taken today's decision. So that European consumers can enjoy the full benefits of competition, genuine choice and innovation.

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## **Report: Protectionism on the Rise, EU Successful in Countering B**

European exporters reported a 10% increase in the number of trade barriers they encountered in 2016 alone. 372 such barriers were in place at the end of last year in over 50 trade destinations across the world. The 36 obstacles created in 2016 could affect EU exports that are currently worth around €27

billon.

According to the Report on Trade and Investment Barriers released today by the European Commission, thanks to its effective Market Access Strategy, the Commission succeeded last year in removing as many as 20 different obstacles hindering European exports.

Commenting on the report, EU Trade Commissioner Cecilia **Malmström** said: *"We clearly see that the scourge of protectionism is on the rise. It affects European firms and their workers. It is worrying that G20 countries are maintaining the highest number of trade barriers. At the upcoming G20 summit in Hamburg, the EU will urge leaders to walk the talk and resist protectionism. Europe will not stand idly by and will not hesitate to use the tools at hand when countries don't play by the rules."*

The Trade and Investment Barriers Reports are published annually since the beginning of the 2008 economic crisis. This year's edition is fully based on concrete complaints received by the Commission from European companies. They concern a wide range of products covering everything from agri-food to shipbuilding industries.

G20 members figure prominently among countries having created the highest number of import obstacles. Russia, Brazil, China and India top the list. Most of the new protectionist measures reported in 2016 appeared also in Russia and India, followed by Switzerland, China, Algeria and Egypt.

The Commission strongly defends European businesses against rising protectionist tendencies. Its efforts brought tangible results in 2016. The Commission managed to restore normal trading conditions in 20 various cases affecting EU exports worth €4.2 billion. South Korea, China, Israel and Ukraine top the list of countries where the EU succeeded in tackling barriers.

The EU food and drink, automotive and cosmetics sectors are those who benefited the most from the recent EU action. To give a few examples, following an EU intervention, China suspended labelling requirements that would otherwise affect the €680 million-worth EU cosmetics exports; Korea agreed to bring its rules for the size of car seats in line with international rules and Israel enabled companies from the whole of the EU to request market authorisation and export their pharmaceutical products.

All this was made possible thanks to the effective cooperation between the Commission, EU Member States and European business representatives through the EU Market Access Strategy and improved relations with trading partners under the recent EU's trade agreements.

The Market Access Strategy is a pivotal part of the EU's efforts to create the best possible conditions for European firms to export around the world and to ensure an effective enforcement of international trade rules.

The measures targeted in the report do not cover the trade defence measures. Anti-dumping or anti-subsidy duties, imposed in line with WTO requirements,

are tools that serve to restore fair trading conditions. They are used by the EU and many of its partners to ensure a level-playing field.

#### **For More Information**

[Commission report on trade and investment barriers](#)

[Speech by Commissioner Malmström at Press Conference](#)

[Market Access Strategy](#)

[2016 success stories](#)

[Trade barriers complaints register](#)

[Factsheet](#)

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## **[Daily News 27 / 06 / 2017](#)**

**Antitrust: Commission fines Google €2.42 billion for abusing dominance as search engine by giving illegal advantage to own comparison shopping service**

The European Commission has fined Google €2.42 billion for breaching EU antitrust rules. Google has abused its market dominance as a search engine by giving an illegal advantage to another Google product, its comparison

shopping service. The company must now end the conduct within 90 days or face penalty payments of up to 5% of the average daily worldwide turnover of Alphabet, Google's parent company. Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"Google has come up with many innovative products and services that have made a difference to our lives. That's a good thing. But Google's strategy for its comparison shopping service wasn't just about attracting customers by making its product better than those of its rivals. Instead, Google abused its market dominance as a search engine by promoting its own comparison shopping service in its search results, and demoting those of competitors. What Google has done is illegal under EU antitrust rules. It denied other companies the chance to compete on the merits and to innovate. And most importantly, it denied European consumers a genuine choice of services and the full benefits of innovation."* A full press release is available online in [EN](#), [FR](#) and [DE](#) and all other EU languages. Please also see Factsheet in [EN](#), [FR](#) and [DE](#). Commissioner **Vestager** will be in the press room at 12 pm CET to present the case – follow live on EbS. (For more information: Ricardo Cardoso – Tel.: +32 229 80100; Yizhou Ren – Tel.: +32 229 94889)

### **The EU invests €95 million in the upgrade of Dubrovnik airport**

€95 million from the [Cohesion Fund](#) is invested in the airport of Dubrovnik in Croatia, to build a new terminal. Currently operating close to its maximum capacity, the Dubrovnik airport is one of the main entry points for tourists in Croatia. As tourism is a major source of revenue in the country, upgrading the Dubrovnik airport will greatly benefit the real economy. Commissioner for Regional Policy Corina **Crețu** said: *"The EU invests significantly for better connectivity in Croatia, from the Dubrovnik airport to the [Pelješac Bridge](#). I had the opportunity to see the works in the airport last year and I'm glad that EU funds support a project that will bring concrete benefits to Croatians and tourists alike, in terms of travel comfort and waiting times."* The new, energy efficient terminal will handle more travellers, from 2 million yearly today to 2.4 million in 2020 and 4 million in 2032. More information on the European Structural and Investment Funds in Croatia is available [here](#) and on the [Open Data Platform](#). (For more information: Johannes Bahrke – Tel.: +32 229 58615; Sophie Dupin de Saint-Cyr – Tel.: +32 229 56169)

### **Croatia becomes part of the Schengen Information System (SIS)**

As of today, Croatia is connected to the Schengen Information System (SIS), the most widely used information sharingsystem for security and border management in Europe. Croatia will now be able to exchange information with other Member States through SIS on persons wanted in relation to terrorism and other serious crimes, missing persons and certain objects such as stolen vehicles, firearms and identity documents. This will further enhance information exchange between Member States and will contribute to the security of all European citizens. Croatia's integration into SIS will also help reduce waiting time at land borders between Croatia and Slovenia – with both Member States having access to SIS, there will no longer be a need for checks against databases on both sides of the border. The Commission had [proposed](#) the gradual integration of Croatia into the SIS on 18 January 2017,



with the Council adopting the Commission proposal on 25 April 2017 and setting the date for the entry into operation for 27 June 2017. In December 2016, the Commission presented a [legislative proposal](#) to further strengthen the operational effectiveness of the Schengen Information System by improving the security and accessibility of the system and including new alert categories as well as the obligation for Member States to create SIS alerts in cases related to terrorist offences. (For more information: Tove Ernst – Tel.: +32 229 86764; Katarzyna Kolanko – Tel.: +32 299 63444)

## **The European Union and the OSCE Office for Democratic Institutions and Human Rights launch new project supporting democratic elections in the Western Balkans**

The Commissioner for European Neighbourhood Policy and Enlargement Negotiations, Johannes **Hahn** and the Director of the Organisation for Security and Cooperation in Europe (OSCE) Office for Democratic Institutions and Human Rights (ODIHR), Michael Georg Link will later today launch a new project to support democratic elections in the Western Balkans. The new project, to be implemented over a three-year period by the ODIHR, will support Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro and Serbia, as well as Kosovo in their efforts to follow-up on election observation recommendations. A full press release will be available [here](#) after the signing ceremony has taken place, foreseen for 15:30. Photos will be available on [EBS](#). (For more information: Maja Kocijancic – Tel.: +32 229 86570; Adam Kaznowski – Tel.: +32 229 89359)

## **ANNOUNCEMENTS**

### **First Vice-President Timmermans holds Citizens' Dialogue with high school students in Rotterdam**

This evening, at 19:30, First Vice-President Frans **Timmermans** will discuss the future of Europe with 80 high school students from the Netherlands, Germany, Poland, Hungary and Turkey at the Lebanon Lyceum in Rotterdam. This innovative dialogue is the first time the [Future of Europe debate](#) launched by the Commission's White Paper has been taken into a highschool, targeting young Europeans. The Citizens' Dialogue is part of a two-year project of students aged between 14 and 17 from schools in Rotterdam (Netherlands), Gliwice (Poland), Budapest (Hungary), Munich (Germany) and Istanbul (Turkey) about their common values and heritage. The project has been carried out via email, Skype, Facetime, Facebook and eTwinning, and this evening's Citizens' Dialogue is part of an exchange week which runs from 26 to 30 June. The debate, in English, can be followed live on the [YouTube channel](#) of the Commission's Representation in The Hague, and on the [Facebook page](#) of First Vice-President **Timmermans**. (For more information: Natasha Bertaud – Tel.: +32 229 67456; Tim McPhie – Tel.: +32 229 58602)

## **Tax Fairness Conference: Putting fairness and taxation hand-in-hand**

The European Commission will host a high-level Conference on Tax Fairness in Brussels on Wednesday and Thursday this week, as part of its wider agenda for fairer and more effective taxation in the EU. The conference will bring together a wide range of EU and international policy-makers, academics, NGOs, trade unions, businesses and tax administrations. Through a series of panel discussions, the event will focus on the role that taxation can play in ensuring social fairness. Over 300 participants from the EU and beyond are expected to engage in an active discussion on the fight against tax fraud, evasion and avoidance, but also the role of taxation in reducing inequalities and supporting social mobility. The discussions will feed into and further develop the Commission's ongoing agenda to make taxation fairer and more effective. The Commission has already taken various actions taken so far to fight tax fraud, evasion and avoidance, such as the [Anti-Tax Avoidance Directive](#), as well as proposals for the [CCCTB](#) and [new transparency rules for tax intermediaries](#). The conference will provide insights on the multiple dimensions of tax fairness and views from a wide range of stakeholders. Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs will deliver a keynote speech on the first day. While registration is now closed, the event will be web streamed live via [EbS](#). More information on the programme is also available [here](#). (*Pour plus d'informations: Vanessa Mock – Tel.: [+32 229 56194](#); Patrick McCullough – Tel.: [+32 229 87183](#)*)

## **Security Union: EU Internet Forum senior officials to address radicalisation online**

Today, EU and Member State senior officials are meeting at the EU Internet Forum to discuss the issue of radicalisation online. In particular, the participants will focus on ways to reduce the accessibility of terrorist material online as well as on how to empower civil society to increase alternative narratives online. The meeting was opened by Commissioner for Migration, Home Affairs and Citizenship Dimitris **Avramopoulos**, who said: *"Radicalisation and terrorism do not stop at national or EU borders. The challenge is global. [...] Our discussions here, will continue to feed into a more global effort to remove terrorist content from the internet, and to create positive alternative narratives. I urge you all to make the most of the impact this Forum brings to bear and I encourage you to use today's meeting to be as open and concrete as possible on the way forward."* Launched by the European Commission in 2015, the [EU Internet Forum](#) provides a framework for efficient cooperation with the internet industry on the detection and removal of online terrorist content. Building on the work of the EU Internet Forum, the [European Council Conclusions](#) of 22-23 June called for internet platforms to step up their efforts to combat terrorism and crime online. The full speech by Commissioner **Avramopoulos** is available [here](#). More information available in the factsheet '[A Europe that protects](#)'. (*For more information: Natasha Bertaud – Tel.: +32 229 67456; +32 229 67456; Tove Ernst – Tel.: +32 229 86764; Kasia Kolanko – Tel.: +32 229 63444*)

[Upcoming events](#) of the European Commission (ex-Top News)