



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

***DTI Building
Sunnyside and virtually via MS TEAMS***

on

3 November 2021

PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

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COMPANY: GOOGLE AND GOOGLE PLAY

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PROCEEDINGS ON 03 NOVEMBER 2021

CHAIRPERSON: Let me try again. Welcome to the evening session of the Online Platforms Market Inquiry. This evening we have Google and today we will be dealing with Google more broadly and Google Play in particular. Tomorrow evening we have Google search, travel and shopping as well.

So maybe at the outset I would like to thank Google for making people available to meet with us, and I appreciate that we have quite a big team onboard. I hope that it is not
10 an ungodly hour in LA at this time, but I think we appreciate the respect you have shown this process and the cooperation that you have shown so far. So maybe, Agnieszka Moldach can you introduce the team and then we will allow you to get on with the presentation.

MS MOLDACH: Thank you, Mr Chairperson. Let me just check if the echo is from our direction.

CHAIRPERSON: Ja, I think sorry we are not a tech company but we asking, I think my team is asking if there are people in the same room with mic's on that maybe causing
20 the feedback.

MS MOLDACH: Okay, perhaps this is better?

CHAIRPERSON: Much better thanks, Agnieszka.

MS MOLDACH: Thank you very much, Mr Chairperson. My name is Agnieszka Moldach and I am Google Competition's legal specialist. I would like to say a few words of

introduction. First of all, I would like to thank the Commission for organising the hearings and accommodating our availability, including that of our colleagues in the US.

As you will see today, we have arranged for a number of experts to join the public hearing in order to assist the inquiry and to address the issues which the Commission has asked us to cover. A number of representatives are not based in South Africa and might not be able to speak in the detail about specific issues in South Africa, we have
10 therefore also included representatives from Google South Africa Operations here today who will be able to supplement our submissions with the local knowledge.

Where information does not fall within a speaker's direct knowledge and its based assumptions or rules on public research, we will indicate so. If there are issues the Inquirer wish to explore that are outside the knowledge of the team gathered here today, we are happy to take questions away and come back in writing or hold further meetings with the inquiry team.

20 The speakers we have with us today from Google are Charles Murito, Director of the Government Affairs and Public Policy Team for Sub-Saharan Africa. Abongile Mashele, Senior Manager of the Government Affairs and Public Policy Team for South Africa. Alistair Mokoena, Counter Director for South Africa. Tia Arzu, Director of the

Legal Team for Play and Tristan Ostrowski, Director of the Legal Team for Play and Android.

We also have our outside Legal Team from Slaughter and May and Vaskin here today to help address topics relating to legal process that may be of interest to the inquiry. And we also have our experts from RBB economics with us in case their experience and expertise helps you answers Commission's questions. As we have discussed with the Commission, if there are any questions that require
10 confidential answers, we would be happy to arrange separate meetings or revert written submissions to make sure the Commission has access to all the information it needs.

We recognise that part of the purposes of the public hearings is to provide information and explanations to the public about how online platforms work. In addition to addressing this specific topics of the Commission has asked us to cover today, our presentation also provides some background explanation about how Google services operate.

We hope that the Commission finds our presentation
20 informative and we are happy to answer any questions afterwards. And if the Commission allows for us to proceed, I would like to hand over to my colleague, Alistair to present.

MR MOKOENA: Thank you very much, Agnieszka and thank you very much to the panel members. It is indeed a pleasure to be here this afternoon to share with you how Google

works. Google was founded in 1998 with the mission of organising the world's information to make it universally accessible and useful to users. Today Google makes hundreds of products used by people across the globe including Android, Chrome, Gmail, Google Drive, Google Maps, Google Play, YouTube and of course Google Search.

Working with content creators as well as partners, Google continues to build new ways for people around the world to find great digital content. Key to building helpful products for users, is our commitment to privacy, security and user choice. Google generates revenues primarily by providing online advertising services and other revenue generating services include Google Play and Google Cloud platform services.

Our footprint in South Africa is currently focussed on providing local support and marketing services for Google in Africa blog provides news, stories and thought leadership from Google across Sub-Saharan Africa including regular updates on Google's activity in South Africa. On October the 6th 2021, our global CEO, Sundar Pichai announced a \$1 billion investment in Africa over the next five years to cover a broad range of initiatives.

From improved connectivity with a sub-sea cable to funding smart devices to make them more affordable, to

investments in start-ups through mechanisms such as the Black Founder's Fund, SME loans to start-ups and many others. And a big focus has been on expanding opportunities through digital skills. In 27 we announced that over five years we will train 10 million Africans with digital skills as they need to grow their careers and business through our Africa digital skills training program.

So far, we have trained just over 6 million Africans and we will cover the following 4 million by end of 2022. We
10 have also trained 80 developers from every country in Africa and supported more than 80 start-ups to raise global venture capital funding, creating thousands of jobs in the process. And in honour of international women's day this year, we announced a renewed commitment to women in Africa with an aim to train 20 thousand women for entrepreneurship, workplace readiness, leadership as well as technology skills.

We also announced a new women world training tour aimed at training five thousand women in 20 cities across Africa and a further 15 thousand women to be trained
20 through community driven training initiatives lead by women world chapters across the continent. And we intend to speak further about how Google is supporting SME's and businesses belonging to previously disadvantaged persons as part of this presentation.

Google services many of which are free are immensely

useful to SME's and businesses belonging to previously disadvantaged persons, for example setting up a Google My Business account allows a business to set-up a free business listing, which makes it easy to connect with customers via Google search and maps.

In recognition of the particular challenges faced by SME's and HDP's, Google has created specific schemes for Sub-Saharan Africa to empower these business, for example by helping SME's get online in the first place and ensuring
10 that South Africans can develop the skills required to enjoy opportunities created by the online economy.

I would like to take you through an example of a business called 4Roomed eKasi Culture, inspired by her brother who died of diabetes 11 years ago, Abigail a former dental technologist is now running a successful food and restaurant business called 4Roomed eKasi , creating jobs and coaching other township businesses to follow in her path. Should we just run the video?

[VIDEO BEING PLAYED]

20 MR MOKOENA: So, Abigail was able to successfully launch her new restaurant by listing free on Google My Business and 4Roomed eKasi's success has allowed Abigail to employ six people and to receive 1.5 times more website visits through her listing, receiving 15 plus booking calls per months and 60 plus directions requests per month.

How do we help businesses get an online presence? Google assists SME's with expanding their customer base and adapt to the changing consumer pattern of seeking products and services online, and we have seen that especially during the pandemic where many consumers migrated from offline to online platforms.

We have spent \$500 thousand in a grant to Yes, the youth empowerment services through a one year work placement program for 165 young black South Africans. Also
10 as part of our economic recovery initiatives this year, we established an SME Covid-19 relief fund and through this, Google has extended this program to an NGO called Precal.org to reach 12 thousand SME's with information and support through the SME's start-up project via chat board which provides access to instant information, guidance, resources and tools.

We also have Google career certificates and about a thousand scholarships have been given out by Grow with Google through Harambee, through Yes, through
20 Africa Coding Network, Quirky-39, RLabs and Global Citizen to young Africans with skills in the digital space. And then just in terms of the Google Play Academy, this is a free e-learning platform.

That provides a wide range of information dedicated to assisting developers to learn techniques, to encourage

sustainable business growth, to test apps with users, to learn practice for publishing and releasing apps on the Play Store, to find the right audience for their business, to acquire more users, to learn about monetisation options or learn best practice for keeping users engaged once they are on the net.

And then we also have Google for Start-ups Accelerator Africa program. Google offers a three month accelerator program to check start-ups across Africa and
10 everyone is free to join. The Accelerator provides mentorship, technical project support, workshops focussed on product design, customer acquisition and leadership development. To date, 12 South African start-ups have graduated from Accelerator program.

For example, a company like Wish, which is a payment solution company. This is what they had to say about the product – the program.

20 “We have grown a lot, we have been enlightened, we now think globally as opposed to before when we were only thinking about South Africa.”

In the realm of digital skills training, we have free training and mentorship for SME’s including those owned by a previously disadvantaged persons, on various digital marketing topics. And I spoke earlier about Google for small

businesses which is a free tool to help small African businesses establish and grow their online presence, especially against the backdrop of Covid.

This provides a step-by-step guide for setting up a business profile which takes a few hours, creating a free website and tips on reaching and growing an SME customer base. And this is regardless of whether these businesses are physical online or hybrid businesses. Furthermore, Google continues to support developer communities across
10 Sub-Saharan Africa and we do it through a number of initiatives, one being we train developers.

To date we have trained 10 thousand developers on Google Africa Developers Scholarship Program which is roughly about 8 percent of the total developer population of 120 thousand in South Africa. And developer communities we have eight city based Google developer groups with a combined membership of 5 thousand businesses. We also have twelve Google developer student clubs at various institutions of higher learning across the country, with a
20 membership of more than 3 thousand.

Now these provide developers with the opportunity for peer to peer learning through community meet-ups and workshops and events, and we also bring women and tech together through what we call women tech mates which has a global membership of 80 thousand women in technology and

we support them through events, mentorship as well as leadership programs.

And Google for start-ups partner network, we have two partners from South Africa on the global Google for start-ups partner network and that is Jozi Harve (?) as well as Grindstone. As part of their membership, start-ups from these organisations to access to Google's network of expert, tools, training and best practices. This allows us to scale us a port for the local start-up eco system beyond Google-led
10 Africa Accelerator. With that, I would like to hand over to my colleague, Tia Arzu to explain how Google Play works.

MS ARZU: Thank you, Alistair. So, I am going to give you a bit more information about how Google Play works but first I will start with saying a bit about what Google Play is. So, Google Play is Google's global online digital content store for Android. And it is where we work to connect consumers to their favourite apps and games, movies and books as well and empower developers to do their best work.

Helping developers succeed by investing in tools and
20 resources that support their growth. Google Play is available in 190 countries with over 2 billion users and millions of apps and hundreds of billions of downloads each year. To be successful Google Play must work to meet the needs of both users and developers.

And so how we help users, we work to help them find

high quality engaging apps and games and we work hard to make sure that Google Play is safe and secure and convenient for users. And for example our apps are reviewed for security issues and we try to ensure that our apps - that the apps and games on our store meet our rigorous content safety standards.

To be attractive to developers, Google Play gives developers easy access to that over 2 billion people worldwide and 3 billion devices all over the world and
10 provide tools and resources, features and support to help them be successful. And I am now going into more detail about that, about that later. But notably, Android is free and developers – most developers pay nothing to use Android and Play to develop and distribute their apps and they use all the tools and support we provide.

97 Percent of apps on Play are free to users and those developers are not subject to any fees if they – since they are not selling anything. If they sell paid apps, or there is retainer services in the app, there is only about 3 percent of
20 developers who do that and they will be subject to a service fee. This model has worked, I mean has grown in the eco system and aligns our success with developers success, and I will go into a bit more detail about how developers distributes their apps on Play and the features and tools we provide them.

The other things to note is that Google Play is not the only app store on Android devices. As a result of the freedom and openness and accessibility of Android and Google Play, developers can distribute their app via other app stores, directly to device manufacturers and direct downloads and my colleague will go into a bit more about that and how Android supports competition amongst app stores a little later. Next slide?

So here is a visual of how apps and games are highlighted for users on the Google play. So, we use features like personalised recommendations, if the user attend to them, top charts, immersive functionality on the app details pages that we have enabled for developers to ensure that users can find like the engaging content that they want.

We also have enabled developers even outside of Google Play help users quickly be able to use their apps and games through a feature called instant apps, and I will go into a bit more detail a little bit later about how we help users find the content that they want. Next slide?

So as mentioned previously, we make it easy for developers to develop and distribute apps on Play. Anyone can do it, it will only cost you \$25US to register a developer account on Play and with only a few clicks, the developer can distribute their app to billions of users – as I mentioned,

over 3 billion devices all over the world. And we provide tons of tools to help them easily create their app, support monetisation options for the app and optimise the app for the best app quality and discoverability.

From helping developers write their first lines of code and Android studio to sophisticated tools that help reduce testing burden, run beta tests, monitor their access skill, just to name a few tools, we are focussed on enabling developers to better serve their users. Next slide? So, in addition to
10 the app development optimisation tool that I mentioned, there are also services that assist with app management and updating app integrity.

And tamper proofing as well as educational tools for developers, like the Android developers summit that just ended last week, we also had guides and newsletters and videos from actual human technical support with our ops team also to help developers with their needs. As Alistair mentioned, we have programs like Play Academy and Google for start-ups.

20 We also have you know, additional programs like Indie Games Accelerator which is a three month accelerator program for developers in select countries. South Africa is one of those countries and in fact, in 2021 - just this year, our pale blue interactive was a South African developer that was selected to be a part of that program. We also have a

start-up, Android program that helps developers get additional support to optimise testing everything on their apps before launching on Google Play.

So again you know, very important for us to support developers. It is also very important the big value that Play brings to developers is, and not only those tools and resources, but also the 2 billion users and so we have to invest a lot to make sure that those users are there and make sure that Play is a safe and trusted platform that users
10 want to engage with. So providing a trustworthy experience is key to making sure that developers can connect with those users. Next slide?

So now if we have a little bit about how we help users find the content that they are looking for. We as I mentioned, Play is a two-sided platform, we have to invest heavily in developers as well as users to make the platform successful and there is millions of apps and games available on Play and so, part of the challenge is to help users easily discover the ones that are right for them, every time they
20 visit and ensure that they can trust that the content that they are getting is safe and secure.

And so we generally favour apps that are high quality, and relevant to a broad audience. The best things that a developer can do to increase their discoverability is to build an app that people enjoy and recommend to others. We are

constantly testing and optimising the Discovery experience on Google Play from adding new discovery pages and experimenting with different visual formats and layouts to enhancing our ranking algorithms.

Our goal is to deliver a more helpful and engaging user experience. As mentioned here, we support browsing and – oh sorry, we can go back to the previous slide. Just a second, browsing, users can brows on the home page, they can search by title or category, we have got an editor's
10 choice section, I will talk a little bit more about that, personalised recommendations and top chart.

So, the different ways that users can discover content – okay next slide, sorry. So, our aim is to make sure that users can find the high quality content that we have on Play, so we have a few criteria or factors – major factors that go into how apps are ranked and I will give a bit more detail about those. User relevance is key. So the most relevant apps to a user depend on where they are browsing or the query that they are using to do a search.

20 So, we have to – our first starting point is to figures out what surface is the user on for example some apps are only available in certain countries and compatible with certain devices so, context is important. We also want to make sure that users are going to have a quality app experience so, we look at things like the technical

performance of an app and things like ratings and reviews do matter. Good user experiences are favoured over lower quality apps.

As mentioned previously, we have some editor's choice sections in the Play store and that is where we have like human curator recommendations to help users find content that is note worthy by many interesting, and that is where you might get you know, content that is really specific to an event or a sort of local holidays, etcetera in a market.

10 We can help to make sure that content is highlighted through those editorial sections.

As well as users experience, we want users to have a positive experience when navigating apps on Play and so the more helpful and engaging the user experience, the more often users will return and install new apps so, engagement on the platform is important as well as ads. So some developers will choose to advertise on Google Play as well as other properties – Goggle properties and so, these ads are well marked and shown alongside with other content.

20 And lastly we have top charts and so, we have top three apps, top paid apps and top grossing apps. The premium paid apps are based on installs and the grossing – top grossing apps are based on revenue. It is important to note that Google and non-Google apps are treated in the same manner regarding like the rankings and the ratings,

etcetera. Next slide, please?

And so as mentioned, there is no special treatment with Google apps, and just like any other app we are subject to user scrutiny via our ratings and reviews, maybe much to the chagrin of our product themes just like other third party apps as well, we also have to comply with the Google Play store policies just like any – just like third party apps on our store.

10 But the aim is to make sure that our developers are in the best position irrespective of you know, whether they are first party, third party or their size, big or small. Next slide? And lastly I will talk a bit about how we support all this investment and Android and Play platform. As mentioned, most of the apps on Play are free.

20 So, 97 percent of them are free and so those developers that are not charging users, they do not pay anything to get access to all of these services and resources and tools that we provide – except for that 25 denominal registration fee I mentioned. So, how do we maintain and sustain this platform since Android is free and most of the developers pay nothing to use is?

We sustain it by aligning with developers who decides to sell digital content or cell phone pay apps or digital content within their apps. They are subject to a service fee that is as I mentioned, only 3 percent of apps on Play are

subject to a fee . this model makes sure that we make money only when developers are making money, and our service fee covers much more than just payment processing, it reflects the value that developers and users both get when they are using Google Play.

And I mean, it is a model that works. Our eco system has grown to over 3 billion devices globally. Our billing system allows by requiring placed billing system allows us to efficiently collect the service fee and make sure that users
10 have a seamless and trusted experiencing when they are making in-app purchases worldwide.

We also employ world class security protections, making sure that their payment information is secure through multiple levels of security and that information on payments is clear, and provided upfront so we can minimise any misrepresentations by developers. So this approach allows Google to make sure that we are aligned with developers and that we succeed when developers succeed. Next slide?

So as I mentioned you know, Android is open source
20 and it is free and so our service fee that through Play that we apply to a small percentage of developers is how we get a return on investment for this eco system and how we support it in order to grow it and improve it as well. As mentioned on the 3 percent of developers are subject to a service fee, and of that 3 percent of developers that are

selling digital content, they – 99 percent of them are subject to a service fee of 15 percent or less.

You may have noticed we recently reduced the service fee to 15 percent for subscriptions, that was announced a couple of weeks ago. We are, and before that we reduced the service fee to 15 percent for all developers for the first \$1 million in annual earnings. Again, we are working and evolving and this is you know, a drum beat of making sure that our service fees that we meet the needs of developers
10 where they are.

And that we are listening to their needs and making sure that they are making sure that our - that we are aligned with their success and the needs of their business and making sure that we are competitive with other platforms. It is important, developers have choices of app store on Android and users have choices of operating systems and devices to use.

And so we need to make sure that we are competitive with other apps stores and other platforms so that
20 developers will develop apps for our platform, high quality apps for our platform and that users will be incentivised to use Android devices as well. Next slide? And so this slide just kind of shows how our service fees are competitive with other app stores and with other platforms.

I mentioned that 99 percent of developers who pay a

service fee on Google, pay a service fee of 15 percent or less. That is on par or less than a lot of other platforms that we compete with including Apple and Amazon, Microsoft, etcetera. We also have to compete with the attention of game developers for – with gaming consoles as well as streaming services.

So, the competition is significant and we have to work really hard to make sure that we are getting developers resources put on developing for Android devices and for
10 Google Play. We work hard to compete for developers and users business and we invest significantly to ensure that we deliver tremendous value to build the firm. And with that, I will hand it over to my colleague, Tristan to talk more about Android and app stores.

MR OSTROWSKI: Yes hallo, Tristan Ostrowski. Thanks, Tia yes and I will be here to speak to the competition faced by Google Play and a little bit to the open design of Android eco system and how it supports user and developer choice. So, Tia focussed on a lot and I know you will have questions
20 about how Play works and lot of those features.

This is stepping back a little bit to just to general treatment of app stores and actors and content on Android. So on the first slide here, we can see some examples of app stores that are Android app stores. And this is just highlighting and we will see a few other examples as well,

highlighting the choice of app stores that can be installed on Android devices and / or downloaded by Android users as well as some distribution channels that Play competes with.

It also shows that some stores are on Android devices that have Play so, on devices as Tia mentioned a few times on devices that have Play, you typically immediately have out of box have another app store or more or other distribution channels installed, and you also have some devices like Amazon Fire, like Huawei devices now that
10 actually do not even have Google apps but are based on Android, they have their own app stores and their own handling of distribution that we compete with through developers as well.

And of course you know as you can see on the right side and as we will discuss a little bit, we also face competition from the iOS app store of course which is hugely successful and other ways to distribute on Android. The way Android is designed is to really make distribution easy through Play, yes as Tia described through all those tools,
20 but also through you know, every other channel that we can enable safely.

Whether that is web apps, we invest a lot in support just web apps that you can access from a browser and we also support of course preloading of alternate app stores, sideloading which is you know, downloading apps or app

stores after you have opened and started using a device and actually many, many other methods. So, I think we can go to the next slide now.

So here is an example of how Play competes with other app stores on Android. So users are always free to use other alternative app stores on Android devices among other options, and here I speak to Android generally when it has Play or when it has Play. So basically we have both situations there. Android users can access many other
10 competing app stores, they can be downloaded by sideloading if they are not preloaded which in many cases they are.

And developers on Play are not prohibited in any way from distributing Android apps using these alternative channels. So you will see many developers depending on the region, depending on their own goals, to developers who distribute on their website, who distribute through the Samsung store and Google Play, who distribute on Amazon often. You have especially for a lot of games, you have
20 concurrent app distribution on Amazon and we have no impediments to that even if they are making use of Play and all the tools that we provide as Google.

And of course we – I actually can go to the next slide, sorry. There we go. Okay so here is how, here is kind of a fairly typical home screen of course on Android you have a

lot of variety, so you know if you have seen a pixel device or a Samsung or Huawei or any number of other devices, the home screens will look different, but this is a fairly classic and common type of design at least, framework of design.

So most Android devices have at least two mobile app stores preloaded. So immediately out of the box, you as a user have multiple places to go and get apps, to go and get content. In addition to you know going to the web, but if you prefer to use an app store, typically you have something
10 installed. And Samsung devices you know have the Galaxy store installed.

You know obviously every store is different, certain app stores will have more of a focus, maybe some app stores will be focussed on gaming, some app stores may be focussed on providing specific apps to a region, there are a lot of different types of app stores including Play, but users have choice. And again even if it is not preloaded, you have the ability to go and download those app stores or to just download the apps directly onto Android.

20 And it is easy to install an app from the Galaxy store, you know same level of ease as it is to install from Google Play. And developers typically do not really because of the way Android is open and the design of Android, developers do not typically have to do very much or any work to distribute their app or to port their app over to an

alternative you know, competing app store.

There is very little work involved because it is you know, you have sort of compatibility across the board. And often you know, Google Play's competitors on Android feature content that is not available on Google play actually. So you have sort of occasionally exclusivity, competition of exclusivity. You know, we saw this with Epic and the fortnight app with was a Samsung exclusive for a while and now you can get it directly from Epic as well.

10 And you know that was obviously a high profile example, but there are hundreds if not more of those types of examples where you have exclusivity. Amazon itself through their app store has done some exclusivity arrangements with developers as well, so from a user perspective you know, you might need to you know find your exclusives outside of Play in some cases and from a developer perspective to give developers the opportunity to sort of you know use different distributions channels and even benefit from that if they so choose.

20 On the next slide, okay so here is Play competing with established app stores and upcoming app stores as well as other distribution channels. So basically here we just have an example of, we have got the Apple app store here. It is you know, frankly in many cases the primary competition for Play. When we are designing Play, when we are you know

working with sort of things that improve the user experience, that improve the developer experience, Apple is obviously very, very successful.

They have over – the app store has over 2 million apps, you know significant revenue and you know, \$70 billion plus in 2020 and growing as far as I understand and you know, of course they have a different design and this is sometimes something we have to explain to folks who maybe are a little bit more familiar with the Apple eco system on
10 iOS, you know you have the single app store distribution channel. So for distribution if you want to distribute an app, you would have to use the Apple app store.

You do not have the sideloading method where you can go directly to a website, you do not have competing app stores preloaded or the ability to go get competing app stores, which is different of course from the Android structure that I have just explained and how Android and Play and how those operate with sort of a lot of alternative options for app stores.

20 In addition here we also have got other third party app stores. So we talked about Amazon which has put significant investment into its app store and into its Fire – you know, Amazon Fire eco system which is based on Android but actually based on the open store, the Android – Google has open source and does not use Google Play or Goggle

services directly.

So they have you know, half a million apps, quite significant you know . Even if you look at Apple, they have 2 million so Amazon certainly has some real depth there and then you know, Huawei of course has also invested in their app gallery. Now they are doing you know, Huawei I know you spoke to yesterday I believe you know they are doing some work to figure out now it is on Harmony OS.

It is still able to run and distribute Android apps, that
10 is another one that is again outside of the Google eco system an app store, and then also we have other channels and devices. So, of course you know when we are designing Play, when we are trying to make it appealing to users, trying to make it appealing to developers.

If we are thinking about a game developer for example, they are comparing it to in many cases how distribution will work on Microsoft Xbox or Sony PlayStation in addition to Apple, etcetera. Often you know these apps are able to be ported across all of these so you know, they
20 are looking at what features are available, what sort of access to users is available, etcetera. So that is another one that we are certainly mindful of when we are working on Play and working with developers.

And then we have sideloading of course, the sort of you know direct access method, which is again there are a

lot of ways to actually get apps directly. You can do it via a web link, you can do it somebody can email you an APK. You know it is perhaps not quite as common as just you know, using an app store or using a preloaded app, but it is a tool we have seen you know, kind of deployed in specific circumstances. And I think we can go to the next slide now.

Okay yes so, sideloading – ja, sideloading is a meaningful option so we kind of have to dig in a little bit on sideloading and how it works. It is a meaningful option for
10 Android users and users on Google Play devices. So, in addition to the third party app stores that are preloaded, typically preloaded alongside Google Play and in addition to just any other web access, you can actually download apps directly. So you have these direct downloads, the ones I have just referenced.

There is one step that is you know, basically and of course when the whole web is open and available, just like if you are kind of downloading something on your Windows device you will get a warning that says hey you know, please
20 make sure this is a trustworthy place and enable the sideloading because now you know, it is rather than having a more curated experience like you have with Google Play or with Samsung or with Amazon.

Now you are on the open web and that you know, unfortunately can sometimes be a vector for malware so, we

just want to make sure users have a notice. Once they accept that notice, you know they are ready to go and download and get the apps accordingly. And also one point I wanted to make overall about kind of this overall system of user choice is, there is not even a concept of a default app store on Android. So when you have the case previously with Samsung, where you see Samsung app store, those live side-by-side and equivalently effectively.

There is no you know, of course you know, Google
10 apps probably update through Google Play in most cases, that is where they come from. Samsung apps update through Samsung, there may be third party apps you know, there often are third party apps installed. Those often actually typically update through the Samsung app store.

And so there is not really a default, it is that the device manufacturer, it is the developer who get s to choose kind of which store they are deploying through. And then it is the user who just gets to choose which store they would prefer to go to and you know, there is no changing of
20 settings needed, there is really nothing to do. You just choose, you know just like if you were in a web browser kind of and choosing whether to buy something from one store or another, you just go and you are on your way. I think we can move to the next slide now.

Okay, so this section is – okay so this is about Google

– I am just going to flip on my notebook my notes a little bit here. This is about Google's partnerships with OEM's which of course you know you are going to have some questions about. So, OEM's have flexibility on how to use Android. So OEM's being you know device manufacturers of which I am sure you are well aware, and those device manufacturers, there are many kind of sets of choices they can make so, with respect to Android.

So first of all, they can choose to licence Google apps
10 or not. So if you are a device manufacturer or you know you are somebody who just wants to create a hardware eco system, you can use Android of course without licencing Google apps at all. And that Android OS it does not have a proprietary you know, Google licence. What it has is an open source licence, mostly Apache licence which is you know, very open and allows a freedom – a lot of freedom of development.

So that is where you see Amazon Fire OS of course, you know you see Huawei working on a Harmony OS and you
20 know, depending on the country, you see other device manufacturers making their own OS's. Sometimes you see based on Android without interacting with Google at all. Sometimes you see very specific types of devices like oh, this device is very enterprise and security oriented device, you know. This device is more of a gaming and streaming

device, etcetera.

So there is a lot of diversity in that creating that eco system and that is this point here that device manufacturers can deeply customise the operating system. So that customisation of course can exist when somebody is you know designing just based on the open source Android, you know.

Here we see Android on things like the peloton and other devices but it also exists – again we kind of mentioned
10 before like those home screens that looked different on a Samsung device, on a Google device, etcetera, there is even a de-customisation within a device that has Google apps.

So left side here, you can build using only open source software. You can modify as much as you want and of course you can preload any set of applications. And you know, Amazon is a good example of that, you know. If you see on the right side here a Fire device, you have got a wide variety of third party apps that they just sort of choose to preload. We can move to the next slide.

20 Okay so here is the overall big picture on the relationship with device manufacturers and Google. OEM's are never required in any case to preload Google apps or Play store to manufacture market devices. So this is a second group of folks, device manufacturers. If they choose to licence Google apps, even if they have chosen to do that,

they can still develop Android devices that do not have Google apps.

And actually many device manufacturers do, do this. In certain regions they may not want to preload Google apps or certain Google services may not be available there, and they just go, they use their same kind of Android OS that they have worked on and they distribute Android devices that do not have any Google apps. So you have even a mixed portfolio.

10 In the Amazon case you know, you have the you know, they do not have Google apps on any of their Android devices but other device manufacturers have devices with Google apps and with our Android devices. And users of course are free to download, you know no restriction on using third party apps and app stores.

Either if OEM's choose to pre-install Google apps on those devices that have Google apps, there are very minimal placement requirements as you may have seen. There is basically a Google widget, there is a Google folder, and
20 there is Google Play. And there is lots and lots of room on the screen that will you know typically be taken up by competing app stores, competing apps, third party apps, games, it can be any number of things. And of course that will be – that can be very region specific.

You know, you can have certain devices that are

preloaded because there is an arrangement between the developers and the carriers or the developers and device manufacturers, they will be preloaded with apps that are responsive to the market demands of that region. You know, they will kind of have the apps that users in that region what, which of course will vary greatly from country to country and Android allows that flexibility whether you have Google apps or not.

And I think we have one more slide. So here is the
10 visual example of app store and app placements on a pretty standard Android device here. You know, you have got the home screen here, you have got the you see the widget at the top there, you know there will be some flavour of that that can be removed by the way very easily, just long press and delete like you would an app.

You have got the Google folder there at the bottom right. It is pre-loaded in this case alongside a suite of Microsoft apps, you have got the Play store as well there and then you have also got a competing browser, competing
20 gallery, etcetera. And then you see lots of you know competing and pre-installed third party apps.

So there is even within this screen on the left the Samsung device, you see there is a lot of space here to play with different preloads and that will you know again, it is very device specific what that screen will be preloaded with

and frankly it is up to the device manufacturer and whatever deals they may have with app developers and others to preload on that screen, but it will vary you know, how that space is used from device to device. And I believe that is everything. Thank you.

CHAIRPERSON: Thank you very much for that presentation. I am thinking maybe we can just take a 5 minute break before we commence with questions, as it has been almost an hour into the session if that is fine with
10 the Google team?

MS MOLDACH: Yes, yes.

CHAIRPERSON: Alright, we will take a 5 minute break and then we will resume with some questions from the panel.

MR OSTROWSKI: Thank you.

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CHAIRPERSON: ...[Incomplete] because of the sanction situation have moved on to their own – as they put it, it is not an operating system. As I understand they are using
20 Android with more the suite of apps rather than Google mobile services and on their phones you cannot load Google Play, so they probably now in the same position as Apple as I would understand.

The competition from Apple you say is your major competitor and I think you have got to maybe help us

understand how you are competing with Apple because I mean as we understand, you obviously cannot be loaded onto the Apple phone because it is a closed wall system, it is a different operating system and no one could load the Apple app store onto an Android phone and hope to use it because those apps as I understand would not operate – it is a different operating system.

I mean, if we were just to take the two sets I mean, when we talk to developers it is not one or either, it is both.
10 So, for a developer they say well look, you know probably Play store is the biggest because Android is biggest. Well Apple is going to reach another big consumer base and that is often in South Africa a high end consumer base.

So certainly for developers it seems they need to do both and what we are hearing from developers is that the cost of duplicating your app across one or both is not huge, there are hybrid systems that they can use and the cost are relatively small. And so for them, you know certainly they would see if their paid apps are looking for consumers, they
20 need to be on both and Play is certainly critical, but if their utilities such as banking apps – again, they need to ensure their consumers may have any particular type of phone and they need to make sure that they are able to service that.

So even Huawei has indicated that obviously they have prioritised putting those utilities on so, from the

developer's side it does not appear as though you are competing for these that does not come into their consideration. Obviously, some of the tools may be useful and that is in order to actually convert the apps between the two, but it is really about your installed base at this stage.

If we go to the consumer side, I mean you mentioned there is millions of apps. But I mean at this stage – at this stage and not 2010, you know I would imagine consumers understand that on Play and the app store there are probably
10 all the apps you need. There will certainly be all the essential apps you need. And so, does it really become a point of choice around which phone you go to?

I mean if I see what phone companies market in our context is the phone features. It is no longer saying look, app stores has got a few more apps than Android and that is why you must come into our phone so, it is difficult for us to understand how that is a competitive relation and what are you competing over? So maybe if you can just address us on that please?

20 MR OSTROWSKI: Ja, I can jump in and respond to some of that. So ja, there are a few just to and I take a few notes, just to address some of the earlier points. I think kind of when we say okay Apple versus Google, what is the competition? It is at several layers, so from a user perspective it is at point of sale, right.

So when a consumer is in a store, they get to decide between platforms. Part of that is of course the app ecosystem, it is the hardware features, it is a whole set of bullet points basically and it is going to be different user to user. It is the case you know, certainly for things like banking apps and certain types of apps that they will try to be on both platforms, but you have many situations I can think of like a few recently where you know, and app may actually be iOS exclusive to start.

10 And so you do in many cases and it is an example with games as well, sometimes maybe they are only on Android because the development is easier or vice versa. So, there is some degree of differentiation in the app or catalogues on both platforms and that will depend on – depending on the consumer, they will value sort of that differently. And they may be relevant to some, maybe hugely relevant to others on having that access.

And the other aspect is in addition to sort of let's say the first purchase you know, which device am I buying? An
20 Apple device, an Apple iOS device or an Android device? You also have the switch ability so you know, we have seen data and you know publicly available data of the you know huge success and the inroads Apple has made in getting users to switch over to iOS.

Part of that is enabled by the fact that you know as

Google we make switching and data portability is important to us so switching is actually quite easy and seamless. Obviously, a device purchase is not a trivial matter for most people so you know it is not you know, the case that they will just be switching willy-nilly you know.

But you know when they are ready for their next device for whatever reason, maybe it is a contract with a carrier you know, maybe their device is sort of aged out and they are ready for a new one, there is that choice to be made
10 once again and we find and I think the data supports when someone is in the Android eco system, that really gives a fresh choice because of the ease of portability of your photos and your contacts and your app lists and things like that over.

So, we do definitely feel that competition as well when users are making the switch decision. In terms of when developers are looking at the two platforms, it is true that – well we hope that is true, that you know hopefully developing if you are an iOS developer, you know a lot of developers
20 may develop iOS first for certain app categories, that we do try to make it easy to get onto Android.

We of course want our users to have as many aps as possible, right. The more apps the better as long as you know they are sort of compliant with policies but you know, of banking apps. We would like for every single one to be

available, medical apps, etcetera. We want to make that development easy, but that is not a tribute – that does not just you know happen.

It is actually because we have to you know develop a lot of API's and develop a lot of services to ensure that that develops and make services available both to developers that are competitive with the services that Apple has, and also make distribution available, tools, etcetera. So there is sort of that competition in a couple of ways.

10 Number 1 to make sure that yes, the portability experience works well and then also we are hoping and Samsung does this as well instead of EOM's we are hoping to develop features unique to Android that make it appealing to developers as sort of a first in class experience. So you will see device manufacturers and you will see Google developing special API's and you will often see articles – you will often see articles in both directions.

20 Oh you know, Apple new iOS device has all these old Android features you know of notifications, like all features that are relevant to users and developers. I mean they have now ported them over you know, how whatever verb they want to use, I mean you will see articles in the other direction as well, I am sure you know. Oh, Android now has this Apple feature so there is a lot of competition in that sense where we actually look at the development of the

features and the developers use and that the users use as well.

There is a third or another point on the developer competition angle. And app is not – apps are not quite fungible in the sense that if you see an app on Android and you see an app on iOS, it does not mean that they will be the same experience or even materially the same experience. And there can be cases for a variety of reasons where you know one app is perhaps you know better, significantly better
10 than the other.

So a developer sort of to your point, they want to be everywhere if they can or they want to be as widely distributed as possible at minimal cost to them so maybe they will choose you know Play, Samsung and iOS. But those depending on many factors including you know how well those apps monetise, what features are available on a platform, the apps will have different degrees of quality.

So because of you know, because of that issue we want to make sure that Android users have you know the
20 highest quality apps but we also do deal with the circumstance going back to that point about oh, these home screens on Android all look very different, there is typically a much wider range of devices on Android, right.

So you have you know, you have Apple who is you know who has started to make inroads into sort of the

medium tier of pricing but you know, on Android we always had the full tier you know, from high end you know higher cost devices to very low end devices that are often you know given away for free as part of a carrier plan or are very relatively very low cost, we are talking you know 10 percent or less than the high end devices.

So that means we have to do a lot of work to make sure that those apps will work across all of those devices as well. So there is also kind of that degree of competition, like
10 a little bit of the you know, behind the scenes kind of competition there.

CHAIRPERSON: Alright but there is no competition on the fees to developers and there is not really competition on the price of apps. I mean a lot of what you discussed are phone features as well, but I suppose in essence all you are saying on the developer side is, some of the tools you need to make sure you are at least not behind, maybe you try be ahead but it is toolkit more than anything.

MR OSTROWSKI: I think that there is significant
20 competition on the pricing and actually Tia can probably best speak to a lot of what has happened on that front, or at least give some kind of recent examples of that.

MS ARZU: Ja.

CHAIRPERSON: I mean I will come to that – sorry, Tia I did not want to cut you off, but I will definitely come to the sort

of the fees but is it something that you want to say now?

MS ARZU: Well, I am just going to address the idea that there is competition with the fees kind of to what Tristan was saying, that we have to make sure we do things to attract developers to our platform and make sure that they you know, prioritise doing the work to build like high quality apps on Android you know, as well as iOS, and so.

You know, when iOS for example recently changed their fee for small business developers to reduce it to
10 15 percent for when developers make less than \$1 million you know, we had to respond. Like it was developers are like you know, you know we want to continue to develop on your platform, but what are you – you know, asking us what are we going to do to compete with Apple.

And as we were looking at that too, we monitored the industry, you know and Apple is just one example, we are constantly monitoring the industry for changes that make our platform you know less attractive and doing what we can to make it to be able to compete. And so you know, we very
20 soon thereafter introduced a reduction in our fees in a way that we would think is better because we went to 15 percent for the \$1 million for all developers, not just developers that make less than a \$1 million. So you know, that is just one example.

One recent example of us competing, we also just

announced a couple of weeks ago about reducing our service fee for subscriptions to 15 percent for day 1 and it ought to be and developers are asking, publicly asking Apple you know are you going to do the same? So it will be interesting to watch that space, and we often compete with each other in that way and that is just two examples of how we compete on fees as a big area of competition for us.

CHAIRPERSON: I mean as we are going there, the I mean the pressure seem to the coming from law suits and court
10 victories or so, Apple's response on the 15 percent was in response to a law suite from small developers. Apple's recent move on digital content seem to be in response to action by the Japanese Fair Trade Commission.

We have seen the South Korean law suit and obviously a law suit against Apple, it is followed by law suit against Google. So, you are facing your own challenges in the law suit so how do we separate what is in effect either a response to legal action or anticipated legal action, and the competitive response?

20 MR OSTROWSKI: So we can comment on active litigation but I cannot say like one approach I take if I am kind of looking at the eco system is looking at what is legally actually mandated by the decisions and then what the actions are. I would say the actions that Tia described are not in response to any legal mandates.

We of course in addition to sort of the regulatory legal environment you described, there is of course also an environment of you know developers with different demands. Whether that is tools, or whether that is you know better access, or whatever it is and we are responsive to that. So like on sideloading right we hear like okay, maybe we can sort of improve how sideloading works from a user perspective, that is something we built in.

We started building that you know quite some time ago
10 and we have always been improving on that and so there is this general tender of okay there is you know, there is a need to ensure that we remain attractive to developers and there is – there may even be pressure from developers. It does not necessarily have to be legal you know like law suit pressure, but there can be other pressure right, through we of course have discussions with partners and they are always developer partners, you know.

All of our developer partners, and that is always a part of the you know without commenting on any specific case, it
20 is always a part of discussion. It is okay 15 percent versus “X” percent and you know and you see some of the programs that Tia described as an outgrowth of those discussions and that sort of developer pressure that we experience all the time.

MS ARZU: Yes and I will just add to that, if it pleases the

Chair. That there are examples, those are just two recent examples but even if you look back in 2017 you know, where Apple changed their subscriptions fee after a year to from 30 percent to 15 percent of the developer if the app – if the user stays with the app for a subscription for a year, we you know had to follow that.

Like developers, there was a lot of pressure to compete with that, with that change and that was years ago and that is just you know, yet another example of that.
10 Similarly you know years ago, we started the media experience program. We just opened it – ja opened it publicly so that developers could apply to get it.

But it is a program that you know we had discussion that Tristan mentioned with developers you know, making sure that we are doing what we can to meet their needs and respond to the pressures that they are telling us they are getting, as you know video services, music service really started to really come to mobile platforms and we had to respond and be able to better support those services.

20 And we started doing that years ago as well so, those are you know some things are really public and other things are things that we are doing to work with developers more directly one-on-one but that is something that is consistent throughout.

CHAIRPERSON: Alright but I mean as we understand from

the developers in South Africa, the big carrot is 2 billion users as you pointed out and one cannot afford not to be on Play store or Android. But what you are indicating is that it is more public pressure. I mean I think we will certainly look at that but a lot of that seems to again come from law suits. Spotify and Netflix suing that may result in changes to streaming so that was the Japanese Fair Trade Commission case.

10 A month later Google does respond so, that is why I am trying to understand how do we disentangle in a sense what is now a highly litigious global context, and maybe Google seeking to ensure that that it is not subject to a regulatory action and rather move its fees in order to preempt that and control the I suppose the situation?

MR OSTROWSKI: I think with respect to like to the Apple JFTC case and the Spotify case and even the recent Epic decision in Apple, it is probably notable to keep in mind a lot of the significant and we think material differences and how the Apple platform operates versus Android, you know. Of
20 course you have those you know, without taking a position on the legal sufficiency of what Apple is doing.

In Android of course we have all of these many, many alternative distribution channels, preloading like it is in many ways, there are just many, many more distribution avenues so we do not necessarily you know, take you know as given,

if Apple is involved in a case well Google will respond you know in exactly the same way or anything like that.

We of course have a unique eco system which we think is probably increasingly recognised kind of globally in that global discussion so we just want you to not that point as well.

CHAIRPERSON: Alright well maybe let us discuss this sort of Android, as you put it eco system. I mean I do not think it is any secret now that Google has what are called mobile
10 application distribution agreements and revenue share agreements with original equipment manufacturers as you put it, device manufacturers.

And that was obviously the subject of the EU Android case and it is the current subject of the US States Play case. The Android case focussed more on the bundling of Google search and chrome within that and the US one is focussed more on the Play store. But in essence as we understand these agreements from these cases is that you – a developer is faced, oh sorry a phone device manufacturer is faced with
20 here is the choice of getting the Google suite of mobile services, the GMS as it is called.

But the conditions on that are that you must take them all, that a certain sub-set must be default and that is why we do see the Play store on the first default screen. And that is your I suppose, your quit pro quo for developing Android as

you put it and all the development costs behind Android and the features. I mean absent taking that suite of services, I mean as I understand following the EU un-bundling, there may be a licencing fee that applies, but maybe you can enlighten us there.

I mean, is that a fair summation of this type of agreements based on what is in the public?

MR OSTROWSKI: Ja yes, I think without responding to any specific point I think that sounds generally correct and I think
10 that is probably what you describe as consistent with you know some of those slides that we were looking at in terms of you know here is kind of under the mobile application distribution agreement, here is what is what you will typically see it will be you now, Google Play.

Of course Google Play can be preloaded on the home screen in addition and often is actually in the majority of cases is preloaded alongside another app, so there is no like one you know precedence over the other necessarily depending what the device manufacturer chooses, but yes
20 you will have Google Play, and you will have a Google folder and then you have the Google widget, particularly in that case.

CHAIRPERSON: No thank you, and I mean I must confess it has not really been our experience that Samsung comes with both on the default page or the home page of a phone, that

may be in other jurisdictions. I think in South Africa the experience of Samsung users is more that Galaxy is on a second page and so Play store is on the first one.

I think obviously we heard from Huawei yesterday that at least historically they did not have an app store to put on their phones and they are big sellers in this jurisdiction as well. And I think it is Jami as well is another big seller in the South African context. I mean I just wanted to explore this briefly, I know it is obviously subject to litigation, there may
10 be limits on what you want to say, but I mean it does seem that the default must work.

I mean, it is not as though Google said you cannot have another app store, as you put it. It just said look, on the home page must be Play store. I mean, we are not interested in Google search right now but the fact that you are happy with the default in order to pay off the cost of Android and Play store and all of those other apps, does suggest that from a consumer behaviour side, that that has worked.

20 That a lot of consumers are steered towards that and we understand it is also not un-installable, so it is going to be sitting there on the store. I mean, is that a fair reflection of where consumers, I suppose consumer behaviour has been?

MR OSTROWSKI: Ja, for the moment just a couple of quick

points. On the default point as to app stores unlike perhaps other things like messaging, there is no default *per se*. So again it is not necessarily like a – there is just no concept of a default. It is sort of not needed because it would be similar – again, it is very similar to deciding between like you know Amazon and another market place and a web browser.

You can just go to either one, there is not really a default necessarily. It is, it is on the home screen and you know I think of what is helping and important to Google and
10 consistent with our principles is just accessibility of Google services, right helping to ensure like Google services are accessible should users want to use them, whether it is search or Google Play in this case.

So accessibility is important, but not at the cost necessarily of you know other app stores. So you will have this side by side and again when you have the side by side case or like you described, in some jurisdictions it might be different, it is first screen / second screen oh, it has actually evolved significantly in different ways over the years, that is
20 part of kind of the openness of Android too.

You know you had a time when there was Amazon app store was preloaded on many, many devices and sometimes it was not and it just ebbs and flows so there is not a consistent you know set of facts I can describe. There is just a constantly evolving set of facts irrespective of what

app stores are where. So there have been many permutations but it is really fundamentally just about the accessibility.

It is actually two things. Number 1, the aspect of accessibility of Google services which we invest a lot into and we think are good for users, but then also ensuring that we are kind of consistent with what users expect. Ensuring that when users buy at least a GSM device, whether it is a Samsung device or Google or someone else, they sort of
10 have their base line expectations met.

And frankly a lot of those expectations are set in the market place by other parties as well. So you know when many people are familiar with you know iOS and how it works and sort of expect an app store to be there. And you just expect a browser to be there and certain things, so it is just having that baseline expectation met, but supplementing it with that choice and that openness of Android is really kind of the operating model.

CHAIRPERSON: Alright, but I mean just to come back the
20 default does work. I mean it makes – you want it accessible because if it is accessible, people will use it presumably and that as you indicated I mean, Google is not the device manufacturer as Apple is so it needs to make revenue from other sources and being the default allows it to make revenue from the Play store and search and others that are

installed like YouTube and the like.

MR OSTROWSKI: It is actually the door to as you are speaking of disentanglement, disentangle but say like being on the home screen versus what Google has invested and marketing Play and in just all the many, many millions of dollars we have invested into building our Play and making it an appealing store both on a technical level and also on a consumer level.

So it is difficult to say and again, what we see on GSM
10 devices is at least to app stores to be clear, there is no default *per se* but I think you are kind of referring to just being on the home screen, so I will respond accordingly. You know and of course like being available on the home screen like that is important to us and it is part of the benefit of the bargain of you know giving away all of these services for free, both the apps themselves and also all of the underlying services for free.

So but it – it is very difficult to know you know, exactly. We certainly think it is much, much more that users
20 would not just click on Play because it is there, if we did not put in all the work to make it appealing, to make it have a catalogue that is appealing, to make Android appealing to developers that are completely competing on several operating system, it would be you know – we would certainly not be sufficient, I will say.

It would certainly not be sufficient for something to just be on home screen if we did not do all of that other work and which I kind of mentioned the small sub-sets thereof. I also mentioned just a very small point but I just recall earlier you said, you mentioned about the Play store and delete-ability. It is not delete-able *per se* because just to make sure the system can be restored to the factory settings.

So if a user wants to re-sell their phone, they are certain very core and often not that many but certain core
10 apps, they are sort of needed to be on there so they are not delete-able and sometimes those will be apps that a device manufacturers themselves so some are Google, there will be a hand full of apps that are not delete-able for that purpose, but it can be hidden or disabled if you just go into settings, you can actually disable Play and it will be hidden from the app screen.

And it can of course be removed from the app screen, swiped away like any other app as well so, there is some flexibility there. I just wanted to clarify that.

20 CHAIRPERSON: Alright, but the default has I suppose the default has been in place from what we could figure for something on like Samsung, I mean at least since the Galaxy which was their blockbuster was launched about almost 10 years ago. You have got pictures of home screens with Google Play, Google search and Google folder.

And I suppose when you speak to consumers in South Africa, I mean there is almost the question of why would I go elsewhere now? Play has built up its position, it has got millions of apps, and certainly Samsung users it would appear on the slide on Samsung, but a minute fraction of any Samsung users is going to go to their Galaxy store because there is almost, why would you?

It has got nothing more than what I have got on Google Play and it is not necessarily cheaper, it is – if I am
10 going to search, it is a bit like going to Google search. Why am I going to go elsewhere, I might as well go into the Google Play store and search from there. So I mean certainly if we look at consumer behaviour, that seems to be where we are at least after what 12 years of Play store.

MR OSTROWSKI: It is really dependent on what, on the level of investment and commitment that a device manufacturer or a third party like Amazon will have to that app store. You know of course, like having an app store is much more than just you know, creating an app and just
20 inviting developers. Like there is a lot of investment that goes into it and a lot of work.

Of course like we are competing on all these vectors so, including Apple like you know, a nice shiny new iPhone that is quite expensive cannot just outclass an Android device. It cannot outclass Play store so that is what we are

competing with. Now in some cases device manufacturers and others have sort of stepped up and competed you know or decided to try to compete on that level, or even compete in a slice.

You know like, we have we see now like gaming app stores starting to be a competitive – you know some would see us as competitive, so sort of now we are focussing on specific app categories. And it is really down to the investment that they put in because in the way Android
10 works, if you see this if you like looking at the history, in the way Android works like you are able at least to get preloaded, to get sideloaded.

You sort of have all these opportunities for app distribution, and it is really up to the individual company, developer, etcetera, kind of which ones they want to use. And for some developers you know, it may be a choice of hey Play makes this easy, you know the registration fee is low, I like – it works for me and I will just go with Play, that may happen but that is certainly not a given.

20 And if we look at the history like you see it is not a given, you see a lot of app stores you know that may rise, and some that may could go away. Even Huawei before the sanctions you know, they were really investing a lot to our understanding into like app gallery and getting that app store more prominent, more exclusive, you know.

Even in recent history right, you see like occasionally splashy, exclusives happening outside of the Play store so we know that that is always a possibility and if anything, you know as Android continues to grow like that just becomes more and more of a possibility as sideloading becomes even easier, as preloading is always available, like that has not really changed, so that is sort of kind of the mode that we are operating in.

CHAIRPERSON: Ja, I mean I do think the history is also
10 littered with failure and I suppose what other jurisdictions are questioning whether you know, if you start off with a disadvantage that Google Play is on your home screen, then it is quite difficult to draw attention away from that and offer something unique.

So to my knowledge you know, Samsung re-launched in 2014, it re-launched again 2019. I mean there are some allegations at the moment in the US case against Google around its second launch, but we are still sitting here at a situation where it has made little traction and so, you know it
20 is not a destination for consumers. Certainly, it does not seem in South Africa and that is obviously the jurisdiction we are concerned about.

I mean maybe let me just pick up on sideloading, you know. I mean I suppose the Google stance is, it is an option. But is there any evidence to suggest that it is a serious

option? And maybe at the risk of sort of you know, projecting from my own experience, but part of the joy of smart phones for many has been the simplicity.

That we do not have to deal with a whole lot of almost background tech and finding a default and changing that, but from what we understand contrary maybe to what you said in the presentation, you know there is a warning but there is about 15 steps that need to be gone through in order to do that. And I suppose the question is, are consumers in large
10 numbers really willing to go through that process?

Especially with the warnings that are presented and the uncertainty that probably creates in their minds. So does Google have any evidence that this is material and material in South Africa? Because for all we have seen is, there is no evidence of that.

MR OSTROWSKI: Yes, I think and I believe some of which we have submitted confidentially so probably or we can so, probably you know they cannot discuss directly in a public forum in terms of the actual data we see. Of course as for
20 much of sideloading it is not something that something that Google have visibility into because sort of by its nature it is a user going to a non-Google source to get apps.

So unless there would be some other means to – it is not just something that is just tracked on every device, but we do have some data in some sense that it is something at

least certain users engage in and I think to your example of you know kind of on a personal level, is it something that you would want to go do, enable. I think it varies greatly you know, it varies by sort of a person and even just the country and its own history with computers and kind of in some places people are much more comfortable.

You know, maybe they come from a Windows ecosystem where you know you are used to going and getting a warning and saying okay you are comfortable with the
10 developer and proceeding. In others it is either you know, perhaps it is not something that they think it is worthwhile or perhaps they sort of want to stick to the more curated experiences. Experiences that they feel I have gotten appropriate security review, etcetera, so it is very case specific.

We do believe and again we have some small you know sets of anecdotal data to show that it is used in many cases, but it is very dependent. I do think the process itself and something we are always reiterating on is that balance
20 between you know openness and security and if you were to just remove any warning, we see that that can be a vector for malware in our sideloading, just like if in Windows you know, you were able to just download an install without any prompt, install programs.

You know, obviously that is a place where you are

making viruses so it is something that we are vigilant of, it is something we see that can be sometimes unfortunately a little bit over-stated or glorified in the press to kind of make for juicy headlines to say oh, look at all this Android malware so, it is something we have to be vigilant about from a competitive perspective, so we think it is important to have a warning.

We think the actual process is as streamlined as we can make it while still protecting users, and it is something
10 we are air rating on even in the latest version of Android, just making sure that sideloaded apps can – sideloaded app stores can auto update so we are aware of sort of if there is any friction – unnecessary friction and also trying to balance that security element.

But to your basic question or to your first question about your topic question about how often is it used by users, we do have some data , we do think it is used, we have seen different people you know including Epic kind of push these avenues occasionally, but it does vary greatly
20 you know, by user by user as to whether it is going to be used.

And of course even if it is - so sorry, just one last point. In addition of course to sideloading, there is of course you know the preload and many apps, like many popular apps on Android are actually preloaded you know and so

there are many other avenues for developers and users to kind of access you know on top of sideloading as well.

CHAIRPERSON: I mean I can imagine that WhatsApp is preloaded and Facebook and Instagram but the vast majority of apps I mean simply could not be preloaded and there are millions of apps as you pointed out. I mean there is always going to be some people who do it. I suppose the question is, is that material?

I mean I have not heard Google say that they have
10 made a fee adjustment because of sideloading. The main discussion has been around responding to pressure and Apple so, I mean is it fair to say that sideloading has not really been a feature in sort of pressure on your fees.

MR OSTROWSKI: Ja, that is a good question. I think it is fair to say that it is a factor being considered so, again when we are looking at the overall competitive landscape, it varies who is even directly competing, what methods are being used and you know much of that is often not in our control. Like we make the open eco system and we make the open
20 designs, the degrees to which they are used evolve over time.

You know up and down, depending country by country. You know sometimes sideloading may be very popular in a jurisdiction because some local app may have been pushed, sometimes it is just nobody is -no developer is really that

interested in using that channel. It comes back the choice, right. No one is obligated to make their app available by sideloading, no one is obligated to distribute on multiple app stores, so it comes down to that developer choice.

But when we think about attracting developers to Play, it is definitely something but sideloading, competing app stores and of course Apple and then when we get to game consoles and others, it is all in the mix, frankly. Like we are aware when we are looking at you know Play and then how
10 to approach developers and pricing and things, we are aware on Android at least there are other choices.

And if Play is not appealing for commercial reasons or for technical reasons, but somebody can as they have in the past, somebody can choose to sideload so to make a big sideload push. To make their own app store, to make an Android fork if they so choose. Like there is so many different permutations of options, all of which we have to be mindful of.

CHAIRPERSON: Oh yes, I understand an Android fork is
20 not something you can do but let me just go on and I mean I was interested in the Apple Epic case. It has obviously captured some media attention and some and I think what struck me about that case is the way the combined effects were pitched by the Judge. And let me just read a bit of this because it was around anti-steering provisions ultimately

that the ruling hinged on.

But I think what is interesting about it is that the Judge finds that in fact it is almost a secrecy that harms consumers and it goes to also I suppose even the discoverability of sideloading as an option, you know. Let me just sort of read out some of the sort of combined effects as the Judge has put it.

10 “So looking at the combination of the
challenge restrictions and Apple’s
justifications and lack thereof, the Court
finds that common threads runs through
Apple’s practices which unreasonably
restrains competition and harms
consumers. They need a lack of
information and transparency about
policies which affect consumer’s ability to
find cheaper prices, increased customer
service and options regarding their
20 purchases. So Apple employs these
policies so that it can extract super
competitive commissions from this highly
lucrative gaming industry.”

And they say well the evidence in this case obviously was thin as to other developers the conclusion can likely be extended, that is because it was around games. So he goes:

“More specifically by employing anti-steering provisions consumers do not know what developers may be offering on their websites including lower prices. Apple argues that consumers can provide emails to developers, however there is no indication that consumers know what that the developer does not already have an email or benefits are if the email was provided.”

10

So the way that they sum up is:

“Whilst the consumers may want the benefit that Apple offers, one stop shopping, centralisation and easy access to all purchases, increased security due to centralised billing, Apple denies then that choice. Restrictions are also distinctly different from brick and mortar situations. They have created an innovative platform but did not disclose these rules to the average consumer, and they use this lack of knowledge to exploit the position. As loosening the restrictions will increase competition as it will force Apple to compete on the benefits that they

20

provide in their centralised model.”

And I think this is what is striking and it is not just app stores, but across all online platforms, maybe for the panellists, the consumers are in the dark so, I see a price on the app store. I do not know and I certainly did not know until we started this inquiry that 30 percent when I subscribe to a local newspaper goes to Google.

Well as it happens, I am on Apple so it goes to Apple, but if armed with that choice, may consumers exercise that
10 choice and then say well, maybe if I disagree with that maybe I will go and subscribe elsewhere and direct. Sorry, I think we disappeared for a moment as long as we are still heard. Even if it is cheaper on the website of the company that wants to sell me that app, I mean for me to discover that, I mean we know there is millions of apps but I mean the web is also a giant place.

Discoverability is the big challenge and we will come to that later for South African apps, but in essence it is that ignorance. Now I mean Google has exactly the same anti-
20 steering provisions, so would the same outcomes not apply in this case to Google? There are options there but people are ignorant of them.

MS ARZU: So maybe I will take this one. So actually Google's policies are place policies are not exactly the same as Apple and we have not been historically particularly in

this space. So in particular our Google users have – developers can always communicate with users about promotions they might be having, different pricing, things they want to advertise about their service.

They could always do that outside of the app tell users about particular pricing, etcetera. If they were able to get cheaper prices like on the web or through other sources, developers could do that. They could do that even if they got an email from or the users contact information from the
10 user using the play app, they can always communicate with their users. We never restricted that and it is important to us that developers can communicate with their users.

We allow developers you know, even if we are supporting us that developers have a lot of control and access of their relationship with their users, and we see that in a lot of ways, that is different from Apple, so just to be clear on that point. I know that Apple has announced some changes that maybe makes them a little bit more aligned with what we have already and always allowed, but we are
20 different.

I do not want to comment specifically on Apple's case, you know with Epic I cannot comment exactly on that but just wanted to just to make clear, we agree like users should know when developers are offering cheaper prices or have other promotions, and we make sure that developers are able

to do that.

CHAIRPERSON: Alright because certainly the case brought against Google in the US by the States suggest otherwise, that there are restrictions because that is one of the prayers for relief. But I mean you would appreciate that if consumers are unaware and uninformed that these options may exist in theory but how much they are used in practice and exploited in practice is quite different.

And so certain provisions at least and I mean it is
10 alleged that Google has as well do in a sense deny consumers choice and can bring about harm. And there seems to be little incentive I would argue for Google to offer these avenues or promote them because you are relying on the revenue from Play store and other things to fund Play store and the Android system.

MS ARZU: Right, I mean so we – oh sorry, Taylor go ahead.

MS TAYLOR: Could we just ask you to clarify what restrictions specifically is your asking about because I think Tia has explained that the Google position is not the same as
20 Apple so, we are not quite sure what your question is asking about. Thank you.

CHAIRPERSON: So I mean from what I understand from your payment system it says developers are charging for apps and downloads from Google Play must use Google Play's billing system as a method of payment, and

that applies to a certain category. In the US case they say:

“The developer distribution agreements prohibits developers from using Google Play to dispute or make available any product that has a purpose that facilitates the distribution of software applications and games for use on Android devices outside of Google Play.”

So I would understand is those combination of rules that
10 discourage apps on Google Play from precisely informing consumers around d cheaper options and directly facilitating them.

MS ARZU: So I think what you are referring to is so, in order to – there are two reasons why we have our policy, you read our policy around requiring our billing system and that meets two objectives. One is to as I mentioned before making sure the users have an easy, safe you know convenient, secure way to make purchases through apps developers developed and distributed on Google Play.

20 And then also to as an easy convenient way for us to be able to collect the service fee that I mentioned previously that we use in order to support the Android and Play platforms. And so, we as a result of that policy in order to make sure that we meet those two goals, we do require that developers not in their app lead users to other payment

methods outside the app.

So, they should be using Google Play's billing and they should not point users outside of the app in order to make the purchases. And that helps to meet those two goals that I mentioned if we you know, and it is important for us to be able to meet those two goals. I think as I mentioned we, developers are free to encourage – you know to tell users outside of the app where users can go to pay.

And developers are also free to not have purchasing
10 options in their app and instead tell the users where to go to make the purchase. So if a developer chooses not to, that we call them consumption only apps, if they choose to not sell anything within the app, they can tell the users where to go if they are like a streaming app and they want to tell users to go to their website to subscribe, they can say that within the app and we have always allowed them to do that as well.

So we think this is a good way to balance the need for us to protect users and for us to be able to collect our fees
20 in a way that is convenient but gives developers the flexibility to communicate with users and tell them you know, communicate with them as needed. We also allow developers and again this is a differentiation from Apple, we have always allowed developers to link out to have users link to like account administration and things like that.

So even though you know, we our policies around the payments and the billing systems do not allow us to directly link out if they are selling content within the app, but if they – if the users need to reach like the developers privacy policy or need to go and manage their account in any way with he service, developers can link out – link out to that. So it is a very narrow set-up of requirements around billing systems in order to meet the goals that I mentioned previously and we try to make sure we have properly
10 balanced the needs of the eco system in that way.

CHAIRPERSON: No thanks for that clarity. I mean one of the criticisms I suppose is a lot of the supply of the games means to you wearily is in-app purchases and so linking out is not really practical and that is one of the criticisms of the I suppose the remedy ion the Apple Epic case and maybe why it is being appealed by probably both parties.

But that is the predominant model so, there may be a subscription model you know, which is different but in that instance it seems that going out it almost defeats the whole
20 purpose of in-app purchases and especially in a gaming context. Maybe just moving on I mean to the fee itself. I mean the other thing the Epic games judgment said was that the Apple's 30 percent is not linked to cost.

And as you, as I just read out that in fact leads to sort of super competitive pricing by Apple so, it turns out it seems

that Steve Jobs at the time thought that because hard copies of software went for 40 to 50 percent, 30 percent seemed like a good deal. And I mean, we would understand that Google is charging 30 percent because Apple is charging 30 percent. It has become like an industry standard.

That seems to be what we are hearing as well from Huawei and others that well, this is just what the industry standard is. So I mean from Google's perspective you know, what is the space on costs?

10 MS ARZU: I so thank you for the question. I think it is definitely that is a part of it, it does cost money to create an app store, to innovate with an app store, to develop the Android operating system, to support all of the different features and services we provide to developers and users. All of that certainly cost and if we are you know, able to sustain a business model then it affects our ability to be able to continue to provide those services and innovate those services as well.

20 There is also a tremendous amount of value that is created you know by the services and features that we provide to both developers, developers and users and you know so all of that value as well is generated in the service fees, and our service fee is a part of that. To be clear though very few developers on Google Play pay anything, right.

So 3 percent as I mentioned earlier actually sell digital content on cell paid apps on Google Play and are thus subject to this service fees. So the vast majority of developers who use Play, pay nothing but the nominal registration fee and it is a one-time fee unlike other platforms where it might be annual or more. And so of those 3 percent that pay anything most 99 percent of them pay a fee that is 15 percent or less.

So just to be clear the service fee on Google Play is
10 really 15 percent for the majority for 99 percent of developers who or less than that, for the developers who pay anything. So that is an important fact to keep in mind and I think it is an important part of how we are supporting the platform, and ...[intervenes]

CHAIRPERSON: Can I just ask on that because we always refer to what percentage of app developers or apps, but what is the proportion of download that attract a fee? So I mean I am interested in and maybe you can enlighten us what the typical profile is. I am not going to volunteer my profile as
20 illustrative, but there may be millions of apps available but no one downloads millions and it seems at least games are one of the sort of big features and those do attract. There may be streaming content, those do attract. So what proportion of the actual downloaded apps attract a fee as opposed to what proportion of the total apps?

MS ARZU: Unfortunately, I do not have data available but we can maybe follow up with you on that?

CHAIRPERSON: If you can because I think it may paint a slightly different picture as to you know, what the sport of - I suppose what proportion downloaded apps actually pay as opposed to what proportion are available. I mean I was struck maybe by the recent drop and I suppose the blog from Android when you announced it and apologies if this is not the official – well it is the official blog, but I assume that is
10 how it was communicated from what I read in the press. That in that there is a sort of discussion around, you know:

“When we started Android and Google Play a decade ago, we took a bet about a free and open mobile eco system to compete with the walled garden of Steve Jobs.”

And it was said it was not clear what kinds of businesses would move to mobile or what apps would be successful and so this was the simple 30 percent chance those that do
20 generate content that is paid for in the app and that is your 3 percent. But it follows to say:

“The creativity and innovation from developers around the world spurred amazing new app experiences we could never imagined when we first introduced

Android. And as the eco system evolved a wider range of business models emerged to support these types of apps.”

But there is a sense of yes, maybe when we started this at 30 percent copying Apple as I would presume, we did not know where we were going to end up 10 years from now, and / or 12 years from now and I suppose the announcement of further fee drops kind of suggests that well, you know we do not need to charge 30 percent to sponsor Play store
10 anymore.

I mean I assume Google still wants to make a profit. But now we can actually drop some of the fees as we are still okay, because maybe the system is much bigger than we first thought. I mean, is that a fair reflection of this sort of context that is at least sketched out in the blog?

MS ARZU: I would count it a little differently. I think what is happening now as the blog, you know, sort of indicated is that the ecosystem has grown and evolved and matured and developed and as that – and as those evolutions and
20 developments kind of occurred we are trying to be responsive to the ecosystem as these things happen.

And so, what you saw there in that particular announcement was our subscription developers, you know, telling us that it takes a lot, you know, to hold – you know, to keep a user’s attention and engagement month after month

or week after week, you know, however long the subscription goes and to continue making engaging content that keeps, you know, those reserves on board.

It is a little different than maybe, you know, games that might be kind of, you know, like used in different ways and so – and those subscription providers, you know, and many of them are having to invest heavily in, you know, like content, that might be in video or music and the like or new, you know, areas where they, you know, like because of, you know, COVID they have gone from physical services to now
10 online services in a new way and they have said, you know, we - you know, we cannot sustain. We want to be on your platform but we cannot. Our business model just does not - you know, we need some more help. We cannot afford – we have different needs and, you know, we need some help with the fees.

And so, we are being responsive and that is what that pricing announcement shows that, you know, we are responding to what our subscription developers have been
20 telling us about what they need and trying to make sure that our fees are – the one size fits all model, you know, is no longer – no longer makes sense, right. Different developers are different and we are trying to make sure that we are responsive to that and our fees are reflecting that while at the same time still being able to maintain the business,

innovate, grow, etcetera. So, it is a balance and so we are trying to meet the developers where they are.

Same thing with the like you know the media experience developers that we also announced on there where, you know, like our eBooks providers, you know, have said even 15% is tough for us because of this particular market and so, you know, meeting their needs by offering – having service fees as low as 10% in that case. And you know, as developers' needs – you know, as we continue to
10 talk to our developers and work with them, you know, I would expect, you know, that we will, you know, continue to evolve in whatever ways are necessary and needed for them while again trying to make sure that we can still maintain and run our business.

CHAIRPERSON: I mean, can I just ask on that, are you talking to developers in South Africa or in Africa on a substantial scale in making these decisions?

MS ARZU: I cannot speak to exactly, you know, like talking specifically to South African developers, but I will say that
20 we have a robust business development team on play and developer support that is ecosystem level developer support. And so, we are talking to developers all across the globe, including in Africa with those support tools, as well as we mentioned in the beginning that there are lots of programmes that we had, that we had, you know, specifically

South African developers in where we were working directly with them and getting feedback from them on how our features and services are working and, you know, doing what we can to work with them to optimise their businesses as well.

MR MOKOENA: Chair, if I can just jump in. Yes, we do. We actually have a team based in Nairobi that deals with developers in the continent. So, they work constantly with them. They are part of our accelerator programme, we take
10 them through mentorship, training and we actually help them on an *ad hoc* basis. So, I think it is fair to say that we do deal with developers in the continent on a continuous basis.

CHAIRPERSON: I know you deal with developers. I suppose in making significant changes to your fees, are you engaging our developers and considering the interests of developing markets? So let me just – you probably or at least we are told about some of the people who came forward yesterday before the panel, but you know for one people are saying apart from saying 30% is extortionate,
20 they are saying it is a small market. If I am making an app for South Africa, I have got a small market. If I have got fixed costs for developing the app, you know, 30% takes a big chunk out.

I mean, we heard from a few developers that the recent drop to 15% meant that one could now focus

exclusively on this, but it meant that prices could come down for the app. It meant that they could put more into the development of the app, so a higher quality app. And some apps were just not economic in our environment. So we are not the US where there is a market of 350 million people and so the challenges may be slightly different.

And I suppose that is why I am asking whether there is serious engagement with African developers at this type of level, because it may be that we are not realising the
10 potential, you know. South African gamers as we heard say well look, the market is too small here. We have to compete globally. We cannot compete against the big players in that market. So, the South African app developer market in the end is fairly small. I think we have had that exchange around this, but this is not a big group and we are interested in almost why not and fees has got to be part of that dialogue I suppose.

MR OSTROWSKI: Thank you, Chair, if I may. One of the
20 great benefits about the Play Store is that there is actually not a boundary in terms of the audience that you can be able to reach and that is one of the great benefits. And as my colleagues here mentioned, only 3% of the Play Store apps actually pay a fee. Most of the apps on the Play Store are actually free and are being, other than the nominal fee of \$25 that they start off at the beginning, they are not actually

paying that amount.

So, I think that it is important to clarify that particular point that a majority of the apps are not making – are making any payments, especially that 30% that you have discussed. But then going forward it is also the opportunity for those apps to be reaching a much broader community of users beyond the South African market. In fact, that is one of the critical things that we talk about in terms of economic recovery and the reach of the Play Store across the world so
10 that a developer in South Africa can be able to reach an audience more broadly across the world.

And that is a similar situation whether you take YouTube and you take a YouTube creator in South Africa. They are not limited just to find viewers in South Africa. They are able to reach viewers all around the world and so one of the great benefits of our open platforms as we have them is that ability to create global businesses so to speak right from South Africa and create that opportunity for audiences to reach beyond the shores of South Africa.

20 CHAIRPERSON: Ja, thank you for that. And look, I am going to come to that, but in terms of we have had a discussion about the proportion of apps on pay, but I will come to discoverability because, you know, what I suppose concerns us is there may be investment in tech skills, etcetera, but there may be other barriers to realising that

potential.

Fees has come up quite strongly already from the apps and maybe some of these recent changes we will see. The other is discoverability, that it is tough to actually tap into that global market. So theoretically the possibility is there. Practically it is more difficult and that is why we wanted to engage around these types of barriers. We can do more tech skills development but if we cannot overcome other market access elements, then it is not going to realise
10 the potential.

But let me just come to I did want to quickly look at, you know, the fees have been justified on a sort of developing Android and the like basis and I just wanted to find out, I mean, when we talk about, we cannot maybe having anticipated what this ecosystem might look like 10/11 years on, I mean, as I understand now mobile is probably more than half of search globally. The mobile device has fundamentally changed things. That may be different in South Africa with the lack of smartphone access and not
20 cheap enough data. But I mean in terms of Google's overall product set, I would imagine probably mobile is now critically important. Is that a fair comment? I mean, I was reading that mobile overtook desktop in 2019 in terms of search, but you may have a better answer or more accurate answer [indistinct 01:11:09].

MR OSTROWSKI: I do not know if we have the right group here to speak to search. I do not know if anyone else has thoughts, but we are a little bit more on the Android and Play side.

MS ARZU: So, in our view Play is important to Android.

MR MURITO: Ja, I probably missed the point. Are you asking if mobile as an instrument for searching is important to Google or sorry, I did not understand the question?

CHAIRPERSON: No, I am saying globally as I understand
10 mobile devices in terms of probably your search, etcetera have overtaken desktop by this stage. I think in Africa, you know, possibly too because of the low desktop sort of penetration mobile is your primary device. The penetration may not be as high, but globally I mean that would incorporate Europe and the US and Asia and Latin America, but there we may have more prevalence of desktop. But I mean, as I understand mobile is where most of the action is currently.

MR MURITO: Yes, mobile is a critical component in terms
20 of the access to the internet in Africa when it comes to users, not just or Google but on the internet more specifically. And for this particular reason we actually do pay quite a lot of attention in terms of educating users on how to access the internet through mobile devices and then in addition to that we are consistently working with telcos to

ensure that we are able to get lower prices in terms of quality handsets into the hands of users across the continent.

Just a few weeks ago we did announce and give the example of the case study in Kenya whereby Safaricom and Google worked on a device financing plan which we are going to be rolling out into South Africa very soon.

CHAIRPERSON: All right. I think my focus is more on the bundle. So, as I understand the argument, I think you put it
10 the fees are necessary to fund the infrastructure needed for the Play Store and the most efficient way for Google to obtain a return on its investment in maintaining the Android ecosystem as well.

So, we have not been afforded with accounts around the Play Store and its costs and I think there may have been some exchanges around broad figures on Android, but I did go to your SEC filing for the end of 2020, December 31 and it is of interest to me, I mean, there is sort of three categories, Google Services which includes products and
20 services such as ads, Android, Chrome, hardware which I understand is minimal, maps, Play search and YouTube. So those are all products that are part of the bundle on the mobile application distribution agreement.

Now obviously YouTube and search is available on desktops too. Play is predominantly a mobile device. But

those services – so this excludes Google Cloud and then what is called other bets, but those services reaped \$168.6 billion for Google at the end of 2020. Now, Google other is about \$22 billion. That is as I understand mostly Play, a bit of hardware and some non-ad-based YouTube. We have got YouTube ads at about 20 billion and then 104 billion for search and then there is about 23 billion for what is called network member properties and that is what I understand is advertising published on other people's
10 publisher sites that Google facilitates.

I mean, I suppose what is interesting is that category after – on a net income basis after operating expenses earned \$54.6 billion profit. So that is not gross, that is net and in fact the other units were loss making and that is about, I do not know, 32% net profit margin. So, we cannot necessarily get down to the details of that, but even if we took half of the search or less than half of the search, it would seem that the income being earned by Google far outweighs its costs in terms of Android Play Store at an
20 aggregate level. I mean, is that a fair comment based on just the general SEC filing that we have before me?

MR OSTROWSKI: I think for some of the specific financial information questions we will probably have to revert in a confidential forum. I do want to make one point though, a general point apart from the specifics, which is the revenue

generated is not directly attributable to Android or Play. So they sort of operate – you know, Android is of course a platform we developed. Play is an app distribution platform. It is not a one-to-one, you know. And again, we can get into perhaps more details subsequently, but I just wanted to identify that point.

CHAIRPERSON: Yes, but part of the bundle that Google sells is part of its mobile application distribution agreement and part of the argument for that bundle is that you need to
10 earn revenue from these revenue generating search, YouTube, other ads through Chrome and then of course Google Play to fund the Android system.

And so they are not maybe – well, they are directly implicated in the mobile device and in the Android operating system because we are looking at how you are seeking to get a return on your investment and it seems it is a fairly healthy return at least from what we can see from your filings. I think there is similar conclusions drawn elsewhere, but those may be in litigation that you cannot traverse now.

20 MS TAYLOR: I think - just sorting the sound out. I think if we are honest we probably do not have the team here that can speak to the financial data you are quoting and also none of us have it in front of us right now. Will it be possible to get your question in writing and the data you are looking at?

CHAIRPERSON: The data is just your SEC filing, so it is Google's information that they have put out. It is... [intervenes]

MS TAYLOR: So not other sources as well?

CHAIRPERSON: Sorry, I think my mic being on interfered with your question. I did not... [intervenes]

MS TAYLOR: Sorry. If it is the SEC filing, I understand what you are referring to. I thought you were referring to some other sources as well that I was not clear on. But if you
10 could put the question that you would like us to answer in writing I think that would probably be – I think we are going to struggle to do it right now because we have not got the documents and we have not [indistinct 01:19:25].

CHAIRPERSON: No, fair enough. What I am putting to you is the bundle that is sold on mobile which must account for a fairly large amount of your revenue is a highly profitable part of Google. It is the profitable part of Google. And all I would say is that on that information it would seem that the 30% at least is no longer relevant, that maybe this
20 ecosystem has evolved and lower fees are appropriate.

I suppose the question is going to be whether 15% is still fair. So some of the developers that we had yesterday indicated look, take the basic element which is process of payment, that is 2.5/3%. They recognise that Google does more and there is a recognition that paying

more that may be fair. And so it is really a question of where does that lie. I mean, maybe – so you are obviously welcome to respond to that before I carry on.

MS ARZU: I might just make one just additional point is, you know, we talk broadly about investing in the platform – the need to be able to fund our investments in the platform and the innovations and the like and that is certainly true. But the service it also reflects, right, the value that developers are getting and I think you sort of mentioned the
10 developers acknowledge that there is value in what they are getting and most of them do not pay anything for that value. They get it for free and it is important to also consider what it might cost those developers if they had to go elsewhere to get those services and those tools and those resources.

So you know, part of the value that Play brings is being able to bring those – you know, all of those sophisticated tools or resources to developers in a way that, you know, is efficient and good and reflects certainly the value that similar services might cost in the market as well.
20 So I just wanted you to keep that in mind.

CHAIRPERSON: Ja and we will certainly look at that. I think the developer yesterday indicated that at 30% it was certainly worth his while to try and replicate this. At 15% well, if he was selling a million of the app it would be too. But I mean I'm with you, there is more here than just

processing a payment.

And that is why I do want to ask you your opinion on some of the remedies being proposed globally. So being able to access another payment stream, well maybe it strikes me maybe that that may result in no revenue to Google or it may pressure you to bring your fees down in line with that or at least to a point where the developers feel there is – you know, there is value in going the Google route.

I mean, can you give me any indication about some
10 of, if you are able to, Google's perspectives on the types of remedies that are coming out South Korea, which is to ensure you provide at least two other alternatives. We have got the Apple Epic outcome as well that I do not know if you are at liberty to discuss these.

MS ARZU: So, not at liberty to talk about the – well, the Apple – I want to talk about the Apple Epic litigation, on more our litigation obviously that is an ongoing issue that we are working through. I think the important thing to keep in mind is as you acknowledge and as other developers
20 acknowledge like our fee is much more than just payment processing, that is, you know, necessary in order for us to provide all the very, you know, goods and service – you know, services and resources to both users and developers that we have today.

And very few developers actually use our billing

system, actually charge for content in their app. So it is a very small part of what services we provide as it were. So you know, we would – no matter, you know, we will still need to make sure that we are able to maintain a business model no matter what.

And we have noted, you know, you mentioned the Korea law that was passed. We have noted that, you know. We intend to comply. But while, you know, we still need to meet our goals, right, of making sure users are protected
10 and safe and our platform is a platform that users want to come to, because if users do not want to come to our platform, then developers – you know, we all kind of lose in that way, as well as making sure that we can maintain a business model. So we are working through complying with the Korea law while making sure that we can meet those goals.

CHAIRPERSON: Thank you and maybe when we have an in-camera session we can take it further if possible if you are at liberty. But I appreciate that sometimes it is difficult
20 to discuss in public pending litigation or outcome, so. Sorry, I am weary of the time, but I hope you do not mind if we just push on, but tell me if you need a five minute break and we can certainly facilitate that. Oh, sorry. I just want to check, are you happy that we push on? I am hoping we can be done in the next 20 minutes.

MR OSTROWSKI: Yes, thank you. [Indistinct 01:25:58]

CHAIRPERSON: Sorry, let me just – I just want to go to the discoverability issue and excuse me if I am going to throw you a question which you may not have at your fingertips initially. But can I get a sense, and it may be a rough sense even, because I think the public would also appreciate, I mean how much are the downloads that are going through your top picks or editor's choice, you know, the curated section?

10 How much are sort of from just browsing as you put it when I enter into the Play Store and how much would be from a sort of search? Because I just want to get a sense of how important those different channels are for discoverability and for apps?

MS ARZU: So I do not know, we might have to get back to you on any specific numbers. I do not have any specific numbers in front of me. We may have – answer some of those questions and maybe in some previous RFIs, but we can definitely get back to you on that I think.

20 But I would just say that it is pretty complicated, right, and sometimes I just want to flag that though discoverability does not necessarily – that downloads and discoverability are related for sure, but are not necessarily the only sort of measurement of success I guess I would say and so just keep that in mind, but it is definitely a data point,

an important one. We can figure out how best to get some additional information to you in that regard.

CHAIRPERSON: Ja, I mean if you have any rough order of magnitude, because it strikes me that the curated sections were introduced because they are useful to consumers. And to be honest, maybe again projecting from my own experience, but it is fairly intimidating to sort of search through millions of apps and hope to find something that you want. It may be fine if it is free, you can dump it, but if it is
10 paid, it is maybe a little more difficult. So I mean, at least you put in the curation. I assume it is fairly important for consumers. Is that a fair comment?

MS ARZU: It is certainly, we think it is important. We think it is a valuable space to help users kind of find the apps and games that they may be looking for. I mean, it is also a great space to create more user engagement, because that is also important, right. Sometimes, you know, even if a user does not come and like actually download an app, sometimes reengagement with an app they have already
20 downloaded is also important and being able to, you know, remind them of, you know, maybe the hundreds of apps they might already have on their device and they can, you know, continue to engage with those apps and use them and they can find new content and see new things that those developers have developed and added.

And so it is a – that is why I mentioned, you know, downloads is one data point, but it is not the only data point. Like a part of what you want is you just want, you know, consistent good user engagement with the platform so that all developers get an opportunity to get more sort of eyeballs, right, on their content and all those different surfaces are important to creating that engagement.

CHAIRPERSON: I mean, some of those like top paid, top free are probably auto generated I would imagine.

10 MS ARZU: Ja, ja.

CHAIRPERSON: I mean, can you confirm – I mean our understanding is they would be South Africa specific.

MS ARZU: No, I do not – I cannot – I do not think they are South – I do not think we have local top charts, like local app top charts. I think it is global what apps will have the most installs. So we do three, right. There is the top three, top paid and top grossing and I think those numbers are global. I can confirm. We can get back to you on that, but I think that is right.

20 CHAIRPERSON: I mean, can I ask when you have got things like editor's picks and that, I mean do you have a South African editorial team for Play?

MS ARZU: I do not think that we have an editorial team that is like sitting in South Africa, but we definitely have teams that are focussed on making sure that we are giving regional

specific and contextually relevant type information. So that is definitely true.

CHAIRPERSON: But no, I mean no one sitting here in South Africa assessing local apps.

MS ARZU: Sorry. Sorry to interrupt.

CHAIRPERSON: No, go ahead.

MS ARZU: Maybe our team in South Africa could – may want to chime in, but I do know that we have team members, bigger team members on the continent, but maybe not in
10 South Africa. As I mentioned earlier, Google Play is in 190 countries, so it is probably a bit challenging to have someone in every one of those, but others can speak better to that.

MR MOKOENA: Ja, thanks Tia. No, sorry. Sorry, Chair, we do not have a local team assessing it.

CHAIRPERSON: Ja, because I mean that is the impression we got and I suppose, you know, we floated with some of the developers yesterday that I mean would it not benefit – would it not benefit to have a curated South African app
20 selection. Obviously, there is still quality control. It is not saying it is the best global apps, but I know we may be half a percent of your global revenue, but there is still a fair amount of money in this market and in Africa.

But this is the other barrier I was talking about earlier that we can invest in tech skills, but when there are

millions of apps how do you get discovered and that is a challenge. And so we did want to explore what are the options to promote app developers on the continent. I think Google would benefit to be honest. But what we are seeing here is, you know, there is a lot of the app development is exactly the utility type, my bank, etcetera, etcetera.

Scratch below that, I personally was quite surprised at how small our app ecosystem is. And I think South African consumers at least or even African consumers would
10 be interested in those sort of curations.

MR MOKOENA: So the current arrangement is that it is quite easy for app developers to contact Google. They normally contact the global Play team and then they also bring in the local teams. So they often they would send mails and say I have got this issue or I need help with this and then very often the global team would actually call on the local team and say, you know, are you aware of the app, can you give us more information and so on.

So there is a way of getting local insights into the
20 conversation, but as far as a dedicated local team, we do not have that but, ja, we are currently working through a global team.

CHAIRPERSON: Ja and I suppose, you know, that is something that maybe we think should start to change, because I mean I hear you that Google is investing a billion

dollars in Africa. I mean, my guess is if we are half a percent of your global revenue in South Africa that is also getting close to a billion dollars per annum.

But there is an impression that can be formed that the relationship is one way. It is almost we are a source of revenue, but where is the investment in developing those that can benefit from this ecosystem because we should be part of it. And as you know, the terms for this particular inquiry says how and the purpose of the Act is ensuring that
10 South Africans get to participate in the global economy and there is a real risk that we are bombarded with apps that have succeeded in America, they dominate our top charts and that is what people download and the opportunities do not exist locally.

So I do think it is something if Google can go away and think about quite carefully and we have – you know, we are just at this early stage of exploring in public hearings and have not come to any findings, but it strikes us there is some low hanging fruit here and that would show real
20 commitment to the continent and I suppose the consumers I think would benefit to be honest from a lot more crafted apps that are relevant. I do not know what your response is to that.

MS ARZU: I mean, I will just add that I mean in addition to the investments, and I agree we want to make sure that good

local apps are highlighted and get the attention that they deserve. That is a goal of ours too, like we want developers everywhere to be successful and so we are definitely, you know, working to sort of innovate and evolve the platform and it is a complex global world and trying to make sure that we are meeting the needs of people broadly and sort of narrowly, you know, in the markets that they are in or the markets they want to be in from a developers' perspective.

10 It is challenging and complex and so we are definitely open to feedback and looking for opportunities to do more and do better. As I mentioned, you know, for example we have got our Indie games accelerator programme that we opened up to South African developers. It is only we cannot – that is not global. Like we do not offer that to all developers in all countries. We have a select group of countries that that is available in. South Africa is actually one of those countries, which is great.

20 And you know, we have – I will give an example, I think it is Pale Interactive that – oh, PaleBlue, sorry, I think was the name of the developer in South Africa that was recently, you know, invited to join this year. I think more opportunities like that are coming. You know, I hope that they are coming and I think we all agree that that would be good for South Africa and for Play. So we agree, absolutely.

MR MOKOENA: It sounds interesting and it is worth

thinking about, so thank you for the suggestion.

CHAIRPERSON: Ja and it may not be the only thing. I think you are in a position to explore what are the other options. But as I said, I think when you start to hear we have got maybe six Indie game developers over 10 people in the country there is clearly a lot more work that can be done and I just want to ensure that through the value chain there is not barriers to market access, you know.

They are telling us that maybe the South African
10 market is too small, but customer acquisition in global markets is \$50 per user. They cannot compete on that basis. Now they may use other channels like social media, etcetera, but it is clearly not producing a burgeoning African and South African gaming community. So if Google can give that some thought it is one area where we do need to I think drive the public purposes of the Act and find ways we can ensure that greater participation and sharing the benefits. We do not want to be just a place to dump product and extract resources and money from.

20 MR MURITO: Chair, if I may.

CHAIRPERSON: Ja, please.

MR MURITO: I think that I would like to just correct the point of dumping products and extracting money. On the developer ecosystem which is a key element of how we approach markets is one of the first key things that we need

to do is ensure that we build a thriving ecosystem that can be able to actually support the different pieces of creative contents that needs to be done.

And so on this particular piece starting off from an African lens, we have trained 80 000 developers, Android developers and gotten them certifications through scholarships which are meant to help build that thriving ecosystem. And just to build on the point I had made earlier around South African companies becoming global, Luno is
10 one of those companies that built an app that has actually gone global from South Africa. And we believe that if we did look there probably would be more that we can give examples of. I do not have any more off the tip of my hand.

But what I really would like to emphasise is this ecosystem building point that we want to ensure that we build the skill sets, we build the marketplace and get people to market so that they can be able to benefit from the digital ecosystem and the digital economy that has been provided by the digital economy, especially based on the economy
20 report that we launched last year in collaboration with IFC that looked at how many developers are in the content and how do we actually help get more of those people working with meaningful jobs so that they can actually grow.

CHAIRPERSON: Ja and I think this is complimentary to those efforts. As I was saying, it can be that developers are

working on free apps for a bank, but there is also the paid app opportunity, their own apps and it is whether there are other barriers down the line after training that may inhibit that. So it is looking at it holistically.

I think this is probably the end of my questions. I just want to check with the team. I mean, maybe there is just – sorry, one last thing just to pick up on Play Points and it is just to understand from the developers' side. I mean, as I understand individual developers are invited, so it is not
10 every developer that can be part of the Play Points Scheme. Is that correct?

MS ARZU: Hi, thank you for the question. I think I can try to answer it. So just to be clear, it is – users can earn Play Points with using any developer's app. So it is not limited by developers having to opt in. We do – some developers, you know, are – you know, have opportunities to offer particular content and for particular Play Points like promotions and things like that, but all apps users can use Play Points as well as earn Play Points with any app.

20 CHAIRPERSON: So they can redeem on any app too as well?

MS ARZU: They can redeem their Play Points for credits that they can redeem on any app. So the points are available, you know, in that way. Like I said, there are some custom, you know, circumstances where developers might

have custom content that is particular for, you know, Play Points. Like you can use, you know, 100 Play Points for this particular in-app content or what have you, but that is, you know, not the norm. You know, generally speaking users can use their Play Points to redeem them for credits that they can use across the ecosystem.

CHAIRPERSON: All right. Thanks for that clarity. Then I do not really have any further questions on Play Points. So I think from our side maybe all that is left is to thank you for
10 your time and again making the team across a few continents as I would understand available to us. We do appreciate that and the continued cooperation of Google in this inquiry we also appreciate.

We probably will need to tend to some in-camera sessions and as we have set out at the beginning of this inquiry – sorry, these public hearings, there is also scope for the submission of any expert reports if you wish to by the end of January, including legal submissions as well and then we can engage those in-camera in February/March as well.
20 But we are likely to be in touch with your team over the coming many months just to just have any engagements around outstanding facts that we require or to engage you on questions we may have or lines of interest for us that has emerged from even others. So thank you very much and I also understand, Agnieszka, we will probably see you

tomorrow night with the search team as well.

MS MOLDACH: Thank you Mr Hodge and thank you to the team. Yes, we do take your comments and feedback seriously. We have taken notes and we would be happy to follow up on some of the questions that you have raised off line. I appreciate it is also late in your – the evening, so thanks again for your time and we will be seeing you later then tomorrow again.

CHAIRPERSON: Thank you everyone and with that we will
10 bring to a close Day 2 of the public hearings.

INQUIRY ADJOURNS TO 04 NOVEMBER 2021

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