



Microsoft Response to Request for Comments on Inquiry Terms of Reference  
by the Competition Commission of South Africa

(20 April 2023)

**Contains Confidential Information**

Microsoft appreciates the opportunity to comment on the Competition Commission of South Africa’s (SACC) Media and Digital Platforms Market Inquiry (“Inquiry”). The Inquiry poses important questions that are the subject of interest to many jurisdictions throughout the world. This includes study in the United States, where Microsoft offered its thoughts on these important questions with the Antitrust Subcommittee of the U.S. House of Representatives in a hearing on Technology and the Free Press on 12 March 2021.<sup>1</sup> Microsoft has invested in supporting newsrooms and journalists as part of its corporate responsibilities and views its support of journalism important to sustain democracy globally.<sup>2</sup> At the same time, we believe that understanding the dynamics of how news media and technology intersect is essential to defining a sustainable path forward for news journalism. Changes in the way people receive their news – including news aggregators, search engines and social media – have significantly impacted news and its ability to support independent, high-quality journalism. At the same time, digital technologies create opportunities for newsroom innovation and operational efficiencies.

The accelerating challenges in news and journalism reflect the shift away from traditional advertising – television, radio, and print – to digital advertising, which is enabled by the emergence of the internet and fueled by behavioral data-based targeting. That transformation has resulted in news organizations spending more to produce content across platforms while earning less revenue because it’s being siphoned off by a couple of extremely large digital platforms.<sup>3</sup> Without more competition in the search and digital advertising sectors, there is a risk that an ever-increasing share of advertising revenues will go to these intermediation services and less and less to the creators of the content.

Even though news organizations have embraced the internet by making their content available online, they fundamentally have not benefitted proportionally from the dramatic growth in digital advertising

---

<sup>1</sup> A copy of that written testimony is available at <https://blogs.microsoft.com/on-the-issues/2021/03/12/technology-and-the-free-press-the-need-for-healthy-journalism-in-a-healthy-democracy/>.

<sup>2</sup> Additional information is available at <https://blogs.microsoft.com/on-the-issues/2023/03/27/media-viability-accelerator-internews-usaid/> and [https://www.microsoft.com/en-us/corporate-responsibility/protecting-journalism?activetab=pivot\\_1:primaryr4](https://www.microsoft.com/en-us/corporate-responsibility/protecting-journalism?activetab=pivot_1:primaryr4)

<sup>3</sup> This decline is well documented in 2017 report “The Shattered Mirror: News, Democracy, and Trust in the Digital Age” by Public Policy Forum (available at <https://shatteredmirror.ca/wp-content/uploads/theShatteredMirror.pdf>.)



revenue. It is impossible to address the economic challenges that ail journalism without assessing why this is the case.

The lion's share of digital advertising revenue globally has been siphoned off primarily by two companies: Google and Meta. While both companies offer popular online properties that draw users and thus advertisers, Google's impact on and control of digital advertising goes much farther. Unlike Meta, Google is the dominant technology firm in virtually every corner of the digital advertising ecosystem. As a result, Google has been the biggest winner, capturing about a third of all digital advertising revenue globally in the last year. Indeed, since its founding twenty-five years ago, Google has grown its global ad revenue to approximately \$224.5 billion annually.

Google's digital advertising business encompasses the entire internet. It enables Google to aggregate the content of others, attract users, harvest their data, and then directly target them with ads at an unprecedented scale. While in previous decades news media companies have had direct relationships with advertisers that allowed them to keep all of the revenue associated with advertising on their properties, increasingly today advertisers work instead through Google and Google shares a fraction of the ad revenue generated from media company content with those entities. None of this suggests that this vast network was built through unlawful action. But the extraordinarily expansive and interconnected nature of Google's search and ad tech processes has few precedents in history.

To a great degree, the problems that beset journalism today are in part caused by a fundamental lack of competition in the search and ad tech markets that are controlled by Google. Indeed, as the SACC notes in section 2.2 of the draft Terms of Reference, Google and Meta are the dominant gateways to consumers, resulting in a situation where publishers are dependent on these platforms for traffic to their sites. This dependence creates an imbalance between publishers and dominant platforms wherein the dominant platforms wield nearly all negotiating power. Given Google's and Meta's position in the advertising ecosystem, publishers are deprived of having any real and meaningful choice when choosing the platforms upon which to sell their ads. As sections 2.4 and 2.6.1 of the draft Terms of Reference note, news media businesses rely on Google and Meta to drive traffic to their sites and apps as these platforms are a critical source of traffic to publisher sites. It is hard to imagine how news and journalism evolve their business models or find a more sustainable path forward if this structural imbalance of power remains in place.

The SACC has requested that Microsoft provide comments on the draft Terms of Reference published on 20 March 2023. With the above background in mind, we provide the following more specific comments on the draft Terms of Reference published on 20 March 2023 as it relates primarily to our Bing offering:

### **News Content and Microsoft's Platforms**



While Microsoft enables access to news content through our own search engine and web properties, Microsoft is a small player in advertising markets globally, and even smaller in South Africa.<sup>4</sup> For example, over the last decade, Google has consistently enjoyed a market share above 90% in South Africa whereas Bing has had less than 7%.<sup>5</sup> This has remained true even after the launch of Bing's new capabilities. Indeed, in March of this year Google's market share was 93.89% whereas Bing's was just 4.75%. Although Microsoft's scale in these areas is tiny compared to Google and Meta, we have nonetheless tried to find ways to support journalism and have a long history of working together with media companies to try to help them effectively monetize their news and related content.<sup>6</sup>

The primary way that users of Microsoft services engage with news content is on our Microsoft News or MSN service (now renamed "Microsoft Start" service) and to a lesser extent our search engine Bing. The experience in each is different. Microsoft News is accessible at no charge to users via a website (<https://www.msn.com/en-za>) and a mobile app. Users visit the site and the app to browse and read news content. We license and pay for almost all of the news content displayed in MSN, particularly full news articles and videos. Bing is similarly available to users at no charge via a website (<https://www.bing.com/?cc=za>) and a mobile app.

News organizations and publishers can benefit from these experiences in three ways. First, for much of the content we show on Microsoft Start, Microsoft has direct licensing relationships with the media companies through which we license and display full length articles and videos and share advertising revenue generated from them with the company providing the content. Second, Microsoft offers its own advertising on its sites and apps. Those ads take different forms. For example, some are "display ads," which are banners that appear in specifically designated areas of the site. Some are "native" ads, meaning that they are designed to be consistent in form and content with the context in which they appear. And there are other forms as well. When users engage with Microsoft advertisements on these pages, media companies can also earn a revenue share from those advertisements.

Third, news organizations can benefit from Bing search because it provides them with referral traffic. Search engines exist to discover, understand, and organize the internet's information in order to offer the most relevant results to the queries users make and aid in content discoverability. For this reason,

---

<sup>4</sup> Microsoft is also the corporate parent of LinkedIn, which offers a professional social networking service for which some news related content might be shared with users. LinkedIn's network is similarly extremely small compared to the reach and engagement with Meta's social networks.

<sup>5</sup> <https://gs.statcounter.com/search-engine-market-share/all/south-africa/#monthly-201304-202304>

<sup>6</sup> Internally for our own purposes, we understand and loosely define news content as those online articles and videos that report on timely events and topics and are created and published online by news organizations on their respective websites.



search engines play an important role in both connecting users to the content they wish to consume and driving user traffic to publisher sites. In developing Bing, Microsoft has taken an approach of providing users with the most useful information possible, including in some instances snippets or headlines from news sources that give Bing permission to crawl their sites, while making it easy and attractive for the user to go directly to the media company's own website to see the source material. We are taking a similar approach to our new and updated Bing experience as detailed below.

### **The "New" Bing**

Microsoft has recently added a new Bing chat experience to Bing search. The experience is built upon a large language model (LLM) developed by Open AI and tailored by Microsoft for use in internet search. While the draft Terms of Reference referred to these changes as "ChatGPT", the new Bing is not the same as ChatGPT although it leverages large language models created by OpenAI that are also used by them in their ChatGPT offering.

Specifically, OpenAI has developed large language models (LLMs) that can understand and respond to a person's requests by generating text, images and code. These LLM technologies allow people to interact with computer systems via natural language by, for example, asking a question and getting an answer. OpenAI has developed several different LLMs including Generative Pre-trained Transformer (GPT) models, which is a family of models that can understand and generate natural language. ChatGPT is a GPT model with a user interface that allows users to interact directly with the model.<sup>7</sup> ChatGPT is a tool offered by OpenAI; it is not a Microsoft product or offering. Microsoft is an investor in OpenAI, including funding specific research and development, and has certain rights to make use of OpenAI's models.

In February 2023, Microsoft launched an update to Bing to provide an AI-enhanced web search LLM based experience. This experience is available in South Africa and is based on an OpenAI LLM that has been customized for Bing experiences, which Microsoft refers to as the Prometheus model. Prometheus combines the AI model with information from Bing's index, ranking, and answers results.<sup>8</sup> Google has launched its own competing experience with Google Bard and plans to release additional features in the short term.<sup>9</sup>

The new Bing experience has three main aspects: helping to summarize Bing search results, providing a chat-based experience (Bing Chat), and enabling the user to generate content. When a user enters a

---

<sup>7</sup> <https://help.openai.com/en/articles/6783457-what-is-chatgpt>; Versions of the model underlying ChatGPT were available via API prior to the rollout of ChatGPT; ChatGPT incorporated "relatively simple" UI improvements on top of the LLM(s).

<sup>8</sup> Additional information is available at <https://www.linkedin.com/pulse/building-new-bing-jordi-ribas/>

<sup>9</sup> <https://www.nytimes.com/2023/04/16/technology/google-search-engine-ai.html>



query or prompt on the Bing search page, Bing will process the input using the Prometheus model and provide a response. Responses are presented to users in several different formats, such as traditional links to web content and as AI-generated summarizations and chat outputs. The user could also choose to go directly to a chat-based experience by clicking on the Bing chat vertical instead of typing a search query into Bing.

Thus, Bing Chat presents another way to serve content to Bing users and drive traffic to the sources of that content. By summarizing the information in a more useful way for the user, the user can digest information more quickly and get a more complete picture. However, Microsoft is clear with users that the answer is only as good as the underlying content discovered by Bing search and that users should check the source material to ensure accuracy. To assist users in this effort – and to drive traffic to the source providing the content – Bing chat results include footnotes to the sources themselves, which could include news sites available in the Bing search index:

What are South Africa's carbon emissions goals

✓ Searching for: **South Africa carbon emissions goals**

✓ Generating answers for you...

South Africa has committed to reaching net-zero carbon emissions by 2050 as a signatory to the Paris Accord <sup>1</sup>. In its updated NDC of 2021, South Africa commits to absolute emissions target levels in the range of **350–420 MtCO<sub>2</sub>e**, including LULUCF, for 2030 <sup>2</sup>. The South African government informed the U.N. climate office that it will aim to limit greenhouse gas emissions to no more than **510 million metric tons of carbon dioxide by 2025** and no more than **420 million tons by 2030** <sup>3</sup>. However, South Africa's targets and policies are not stringent enough to limit warming to 1.5°C <sup>4</sup>.

I hope this helps!

Learn more: 1. esi-africa.com 2. climateactiontracker.org 3. apnews.com 1 of 20 ●

4. climateactiontracker.org 5. ourworldindata.org 6. un.org – see less

What are recent changes South Africa has made to reach its goals

✓ Searching for: **South Africa recent carbon emissions reduction policies**

✓ Generating answers for you...

South Africa's Carbon Tax Act, which places specific levies on greenhouse gases from fuel combustion and industrial processes and emissions, came into effect in June 2019 <sup>1</sup>. By 2035, the carbon tax could reduce the country's emissions by 33 percent relative to the baseline <sup>1</sup>. South Africa's government has released a revised climate change policy document for public comment, significantly reducing the upper limit target for harmful emissions by 28% by 2030 <sup>2</sup>. The South African cabinet has approved a goal to reduce greenhouse gas emissions to net zero by 2050 <sup>3</sup>, but it still plans to burn coal on this date <sup>4</sup>.

I hope this helps!

Learn more: 1. brookings.edu 2. reuters.com 3. climatechange news.com 4. carbonbrief.org 3 of 20 ●

5. climateactiontracker.org 6. dffe.gov.za – see less



any pending climate change legislation in south africa?

✓ Searching for: climate change legislation South Africa

✓ Generating answers for you...

Yes, South Africa has a Climate Change Bill (B9-2022) that is currently in Parliament <sup>1</sup>. The bill aims to enable the development of an effective climate change response and a long-term, just transition to a low-carbon and climate-resilient economy and society for South Africa in the context of sustainable development <sup>1</sup>. The bill will facilitate South Africa's transition to a greener economy and compel businesses to reduce greenhouse gas emissions that accelerate climate change <sup>2</sup>. The bill is expected to be passed into law in the near future <sup>3</sup>.

Learn more: 1. parliament.gov.za 2. mg.co.za 3. businesstech.co.za 4. gov.za 1 of 20 ●  
5. polity.org.za - see less

Chat responses also have a hover experience where hovering over information in the response will display the title of article or webpage and the specific sources along with a link to that source, further helping drive traffic to the publisher:

What are South Africa's carbon emissions goals

✓ Searching for: South Africa carbon emissions goals

✓ Generating answers for you...

South Africa has committed to reaching net-zero carbon emissions by 2050 as a signatory to the Paris Accord <sup>1</sup>. In its updated NDC of 2021, South Africa commits to absolute emissions target levels in the range of **350–420 MtCO<sub>2</sub>e**, including LULUCF, for 2030 <sup>2</sup>. The South African government informed the U.N. climate office that it will aim to limit greenhouse gas emissions to no more than **510 million metric tons of carbon dioxide by 2025 and no more than 420 million tons by 2030** <sup>3</sup>. However, South Africa's targets and policies are not...

I hope this helps!

🌐 South Africa pledges more ambitious climate targets | AP News  
<https://apnews.com/article/climate-change-business-technology-africa-environment-e087555fb...>

Learn more: 1. esi-africa.com 2. climateactiontracker.org 3. apnews.com 1 of 20 ●  
4. climateactiontracker.org 5. ourworldindata.org 6. un.org - see less

Displaying content in this summarized way and engaging with Bing in this matter is new and Microsoft is still learning from the experience. We continue to collaborate with partners to explore ideas on how to evolve the model. For example, Microsoft is exploring an expanded hover experience where hovering over a link from a publisher will display more links from that publisher. This experience would provide users with additional ways to engage with publisher content and drive more traffic to publisher websites:



Sending traffic to these sources and making it easier for users to visit the sites is important for a healthy web ecosystem and good user experience. As a subscale search engine in most parts of the world, including in South Africa, we know if we don't get this balance right we risk publishers simply blocking our access to their sites. Thus, ensuring that Bing is a net positive for news and other media companies remains one of our top goals and we believe that the chat feature is another way we can drive traffic to these sites. In fact, very preliminary data suggests that Bing Chat is driving incremental *new* traffic to publisher sites in addition to the clicks they receive via traditional search results links on Bing.

While the Terms of Reference are right to question whether *"the integration of these generative AI based chatbots into search engines would allow users to obtain direct answers to questions or queries posed in the search results page **without the need to necessarily obtain it through accessing publisher webpages**"* (emphasis added), Microsoft does not believe that Bing Chat is inherently different than the Bing experience today and (as described above) is likely better for publishers. There is always a tension in providing enough information to search users to understand and drive answers to their questions versus requiring users to always click through to a site. Users will not accept a search engine that gives so little information they cannot make informed choices as to whether the link is relevant to their query or not. Ultimately, however, the information provided, whether in news snippets or in a summarized chat experience, is not a substitute for the source. In this regard, Microsoft agrees, as section 2.1.1 notes, that integration of these AI models into search engines are *"in the early stages of adoption and the true effects of this integration may not yet be known."* As preliminary data suggests, Bing's chat feature could yield positive results for publishers and other content providers.

Finally, it should be noted that these new LLM based experiences are not limited to OpenAI or Microsoft. Google has already announced its own chat-based experience with Google Bard and will be rolling out new features in the short term. As a global leader in AI more broadly, Google will certainly offer a compelling and competitive solution while benefitting from its greater search scale and the learning that such usage will enable. For scenarios like summarizing the most relevant web-based results, this greater search usage scale will continue to give Google significant data advantages that



Microsoft (S.A.) Pty Ltd  
3012 William Nicol Drive Bryanston  
Johannesburg, 2191  
Registration No: 1992/000839/07

Telephone: 0860 2255 67  
[www.microsoft.com/southafrica](http://www.microsoft.com/southafrica)



smaller subscale search engines like Bing will not be able to match. In addition to Google, many other companies have also enabled new chatbot features. For example, Snap is launching a chat bot based on OpenAI's GPT.<sup>10</sup> Similarly, IBM has its own chatbot functionality<sup>11</sup> as do many others. As such, new Bing's chat feature is unlikely to change the status quo in the search or advertising markets.

---

<sup>10</sup> <https://www.cnn.com/2023/02/27/snap-launches-ai-chatbot-powered-by-openai-gpt.html>.

<sup>11</sup> <https://www.ibm.com/products/watson-assistant/artificial-intelligence>.