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## **SEVEN ANTITRUST QUESTIONS ABOUT GOOGLE-YAHOO!**

(Washington, DC) The American Antitrust Institute (AAI) has issued seven important questions that it says need to be answered before the Department of Justice and the public should decide what to do about the agreement between Google and Yahoo!

“Consumers need assurance that robust competition on the Internet will not be undermined by this unusual agreement,” said Albert A. Foer, President of the AAI.

Given the importance of Internet advertising to the advertising industry, web content providers, and ultimately the vast number of consumers who depend on the Internet, this transaction should be analyzed under two broad approaches, explained Foer. First, it should be analyzed in terms of effects on competition and innovation in search engine services and the advertising they create. Second, this deal should also be analyzed from a broader systems perspective, because searching is only one of the functions performed by the Google and Yahoo! platforms today, and it is equally important that the Yahoo! platform remain a viable base for future areas of Internet competition.

Foer emphasized that under either approach, the proposed Google-Yahoo! deal raises a number of serious antitrust issues. More specifically, there are at least seven areas of potential concern.

**1. How will the agreement affect competition among the Google, Microsoft, and Yahoo! platforms?** Would the deal be reasonably likely to lead to the reduction of the number of independent search advertising competitors from three to two, a circumstance that almost always violates the antitrust laws? Google, Microsoft, and Yahoo! are not just advertising distributors, however. All three provide competing platforms for information collection, processing and distribution, e.g., email, chat and calendaring services, and they have the potential for competing with one another well into the future as new uses of the Internet are developed. From this broader perspective, advertising may be less a separate market than the revenue-producing lifeblood of these systems.

**2. If someone invented a better method of searching the Internet, how long would it likely take to implement the invention and be able to compete effectively with Google, Yahoo! and Microsoft for advertisers?** Regardless of whether the relevant market consists of competing systems or competing search advertising algorithms, will Google not only strengthen its dominant position on this critical component for business on the Internet but also be protected from new entry?

**3. Will the agreement enable creation of new barriers to entry?** Will Google's enhanced share of Internet advertising entail the power to create new barriers to entry such as long-term exclusive contracts with advertisers or content providers which could harm either the search advertising market or competition among systems?

**4. To what extent does search advertising compete with display advertising?** The decision to allow Google's acquisition of Double-Click would suggest these are separate markets, but what does post-merger experience have to teach us?

**5. What percentage of search and display advertising is now placed through intermediaries, such as advertising agencies?** If intermediaries purchase a significant quantity of Internet advertising, then special attention needs to be focused on their particular purchasing decisions and needs in addition to that of their clients.

**6. How much of a transaction cost savings would arise if advertisers or their intermediaries were to deal with two search companies?** In other words, what are the costs associated with having advertising placed through more than one company? By the same token, what are the costs to content providers for carrying ads placed by more than one provider? Do many or most of these intermediaries currently deal with only one search company? Is there a strong preference for "one stop shopping" for their varied clients? And how will the proposed auction system affect this dynamic?

**7. Would a combined Google-Yahoo! produce a strong monopoly position in search advertising that would enable them to leverage themselves into a dominant position in display advertising?** Dominance in both forms of Internet advertising could be expected to result in even higher prices to advertisers and lower shares of revenue to content providers since neither would have access to substitute products.

"We are asked to predict whether this transaction will pass muster with the Justice Department. We do not know. Our own views will be shaped by the answers we are able to formulate to these questions," said Foer.

#### **About the American Antitrust Institute**

The American Antitrust Institute is an independent non-profit education, research and advocacy organization. Since its formation in 1998, the AAI's mission has been to increase the role of competition, assure that competition works in the interests of consumers, and challenge abuses of concentrated economic power in the American and world economy. To learn more about the AAI, please visit [www.antitrustinstitute.org](http://www.antitrustinstitute.org)

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