



## Press Release

27 July 2010

### **ICOMP reacts to Google and Yahoo Japan announcement *Expresses concern about the health of the Japanese online market***

The Initiative for a Competitive Online Marketplace (ICOMP), today expressed its deep concern for the healthy development of the Japanese online market, citing the serious impact of today's announcement by Google and Yahoo! Japan. ICOMP believes that the announcement raises major antitrust issues and that concerted efforts should be made to block its approval.

In December 2008, it was widely reported that Google Inc. and Yahoo! Inc. had called off their joint advertising agreement just three hours before the Department of Justice (DoJ) planned to file antitrust charges to block the pact. The agreement, announced in April 2008, provided that Yahoo! would outsource its paid search business to Google.

The U.S. Government complaint would have argued that the agreement violated Sections 1 and 2 of the U.S. Sherman Act, which ban agreements that restrain trade unreasonably and make it unlawful for a company to monopolise or attempt to monopolise trade.

The DoJ's investigation showed Google was "by far the largest provider" of Internet search and advertising, as well as Internet search syndication. The agreement with Yahoo!, had it gone forward, would have accounted for 90% of those markets. Since then, a number of antitrust authorities around the world have examined Google and its behaviour and a consensus has emerged that Google has an overwhelmingly dominant position on the markets for search and search advertising in the U.S., Europe and elsewhere.

In Japan, Google's market position is not the same as in the U.S. and Europe due to the relatively strong position of Yahoo! Japan. Yahoo! Japan was jointly set up by Tokyo-based technology investor SOFTBANK and Yahoo! 1996. SOFTBANK is Yahoo! Japan's majority owner with a 40% stake. Yahoo! owns 33% of Yahoo! Japan.

Instead of enjoying a market share of search of around 70%, as in the U.S., or even 90%, as in Europe, Yahoo! Japan and Google combined already provide virtually 100% of paid search ads in Japan. Other search engines barely register.

Any deal between the two would effectively mean that they would sell and serve virtually 100% of the search market in Japan, and would have knock-on effects in closely related markets such as search advertising and contextual advertising. Reduced competition would harm online publishers and advertisers, and ultimately consumers, in a number of ways:

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- First, there is a clear risk that the deal would give rise to scale and other economic advantages which would mean that a combined Google/Yahoo! Japan would win almost every bid to provide online advertising services or search syndication deals.
- Second, it would deprive their competitors of the necessary scale to continue to compete in these markets.
- Third, it would increase the ability of Google and Yahoo Japan! to exercise their market power by increasing advertising prices whilst at the same time reducing the share of advertising revenue paid to online publishers.

There is no reason to believe that the proposed Google/Yahoo! Japan deal will generate any benefits to consumers, let alone sufficient benefits to outweigh the harm to competition.

Better alternatives exist which would enable Yahoo! Japan either to remain independent or to co-operate with a third party to allow it to achieve the scale necessary to offer an alternative to the Google's dominant global platform.

There should be very great concern that Google would achieve a near-monopoly position in Japan, given the many significant antitrust investigations taking place in countries where it has already acquired a near-monopoly position.

For those reasons, the presumption must be that it should not be allowed to go ahead and that it should be blocked on antitrust grounds.

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### **About ICOMP**

ICOMP, the Initiative for a Competitive Online Marketplace, is an industry initiative for businesses and organisations involved in the online marketplace. Its overall objective is the sustainable growth of the Internet and key goals are to encourage competition, transparency, data privacy and respect for intellectual property rights as well as the adoption of best practices to promote creativity, innovation and trust.

50 companies, trade associations, consumer organisations and individuals have endorsed ICOMP's principles. These members represent 14 countries across Europe, North America and the Middle East. ICOMP is funded by member contributions as well as sponsorship from Microsoft. Burson-Marsteller acts as its secretariat and Lord Alan Watson is ICOMP's first Chairman. ICOMP has appointed PRAP to provide support in Japan.