

There has been quite a bit of speculation about the current economics of Gootube recently. The real discussion started when Bear Stearns Analyst [Robert Peck estimated](#) that Youtube revenues in 2006 were \$15mm dollars.

On a true Profit and Loss statement, I think their revenues per month are probably flat vs last year and will be so for a least the next few months, and their costs are far higher than people realize. In fact, I would guess that Youtube is probably going to lose more than 500mm dollars this year. Of course thats just a pimple on an elephants' ass as far as Google is concerned, but its still worth discussing.

Here is how I got there.

Revenues are low because Google can only sell advertising on pages with content they have licensed, or on their index pages. Unfortunately for Google, if you look at CBS, NBA (and i guess bad for me), BBC channels and others, there are no ads sold. In fact, I would hazard a pretty good guess that Youtubes revenues for this month are **lower** than they were in say September of 2006, the month before the acquisition.

Why ? Because Youtube was losing money hand over bandwidth bill on a monthly basis and was aggressive in their advertising and sponsorship sales. They were probably taking chances and doing deals that Google can't or won't do now.

legal
sales force
equity paid to music companies in youtube stock
bandwidth from google video and organic growth
people to deal with taking down thousands of take down notices received every day (would it be cheaper to just review the videos first ?)

google is so far in the shit on this one they are trying to prove a point rather than making the right business move.

and not a single major lawsuit has been filed. But they will. If half the lawsuits i have been told about are filed, its going to be a hot summer in googleville with a lot of happy lawyers