

Dangers of digital dominance

Big Tech companies allegedly use their power and position to gain and maintain dominance.

DEMOCRATS from a US House of Representatives subcommittee issued a report detailing tactics it said four of the biggest technology companies used to gain dominant positioning in online search, advertising, social networking shopping and other businesses.

Here are the notable findings:

Amazon

The issue: Amazon sells its products as well as goods from independent merchants on a single platform which it owns.

The Congressional report alleged that Amazon has "monopoly power" over many of these merchants, which "do not have a viable alternative to Amazon for reaching online consumers", especially in the United States.

The result, the report alleged, is a "conflict of interest" in which Amazon has an incentive to use competing merchants' data and can advantage its own goods and services for profit.

The fix: The report recommends Congress consider removing the conflict by preventing dominant firms – in this case, Amazon – from competing with others dependent on its infrastructure.

In response to the report, Amazon said any legislative proposal to separate retail sales from its third-party marketplace would bring consumers and sellers back to a model they rejected as inconvenient.

Amazon also countered claims of its dominance by saying it represents less than 4% of US retail.

Apple

The issue: Lawmakers found that Apple has a monopoly on distributing software on the iPhone.

Apple used that monopoly power to charge developers above-market prices in the form of a 30% commission on App Store sales, exclude rival apps and services, and misappropriate data from developers and use it to create competing services and features.

A former App Store employee told lawmakers that the App Store costs Apple an estimated US\$100mil (RM416mil) per year to run and generates billions of dollars in revenue.

The fix: The lawmakers' proposals could force Apple to stop competing in markets where its rivals rely on its App Store to reach consumers.

While the report has few details on how such rules would work, in theory they could force Apple to exit major businesses such as streaming music and shows, and Cloud storage.

Another proposal to create rules against self-preference could hamper Apple's ability to remove apps from its App Store that compete with its own services.

Apple didn't immediately respond to a request for comment.

Facebook

The issue: The panel found that Facebook holds monopoly power in the "social networking" market, which it distinguished from the more content-centric market dominated by companies like YouTube and TikTok.

Facebook secured its dominance in that highly concentrated market by identifying nascent rivals and copying, acquiring or killing them before they could mature into competitive threats, the report said.

Investigators said the company's two biggest acquisitions – Instagram

and WhatsApp – fit that pattern.

They also accused Facebook of selectively enforcing its platform policies to defuse the threat of video-sharing app Vine, which Twitter shut down in 2016.

The fix: The report stopped short of recommending a breakup of Facebook, but proposed boosting the budgets of antitrust enforcers and allowing them more leeway to stop companies from purchasing would-be rivals.

That could strengthen regulators' hands in current investigations into Facebook's alleged anti-competitive practices and make future transactions trickier.

Facebook did not immediately comment.

Google

The issue: Investigators found Google has used restrictive customer and partner contracts, and other means to ensure its own services are favoured over those of competitors in search, phone and tablet software, as well as advertising and mapping technologies.

For instance, the committee found in internal company documents that top executives such as now-CEO Sundar Pichai approved stiff-arming partners to make sure Google search, in the company's own words, was "front and centre" on mobile devices.

When one hardware manufacturer in 2014 complained about its devices being overloaded with "required" Google apps, the search giant blamed it for not making gadgets with more memory.

The fix: The committee called for the US Congress to pass non-discrimination and bargaining laws requiring big service providers such as Google to provide fair access to their systems.

Such a rule could give a leg up to device manufacturers, ad tech companies and app developers that want to move away from Google tools.

Google did not immediately comment. – Reuters

