

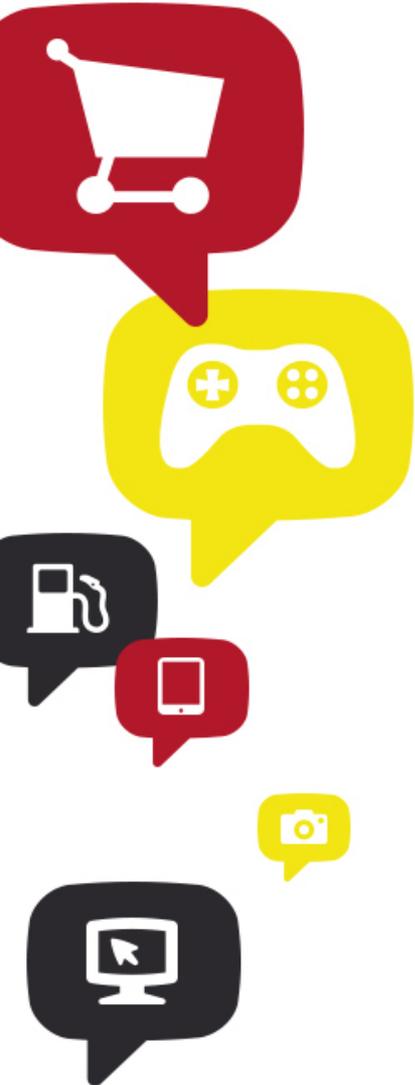
Rise of the Internet Platforms

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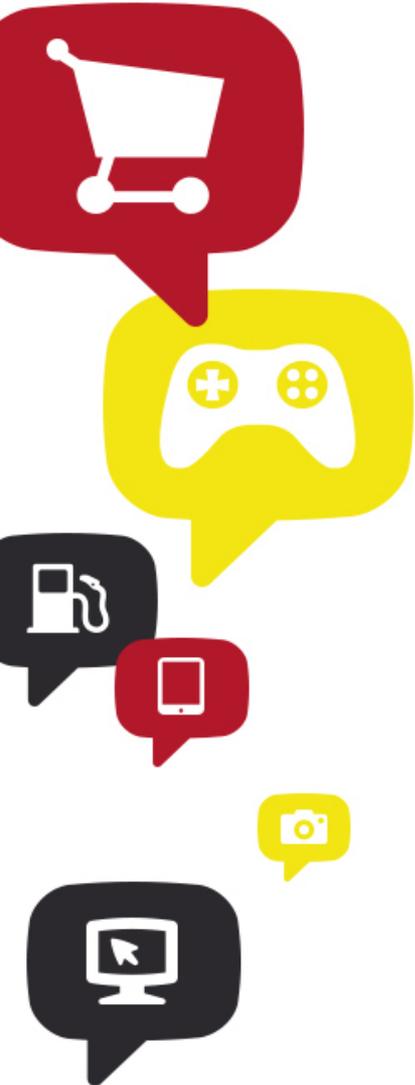
Belgian Competition Authority and ECARES-Université libre de Bruxelles

Introduction



- Joe Kennedy’s paper highlights the benefits of innovation and more specifically multisided Internet platforms
 - mobilising underused resources
 - increasing competition at various levels of the value chain
 - reducing searching costs and transaction costs
 - reducing asymmetry of information (reputation)
 - bringing buyers and sellers to the market
- discusses four ‘general concerns’ about the role of Internet platforms
 - some platforms have become too powerful – competition issues
 - platforms misuse of consumer data
 - platforms take advantage of their suppliers, in particular employees
 - platforms threaten existing businesses
- in conclusion, no need for specific regulation
 - “the traditional powers available to injured parties and government regulation can handle virtually all actual harm”

A variety of benefits (and potential harms)?



- platforms seek to *solve a problem*
 - benefits (and potential harms) span across a number of markets
- competition authorities assess potential harms based on
 - rigorous market definitions, and detailed analysis of market dynamics
- what are the common characteristics?
 - high fixed costs, low marginal costs
 - two- or multi-sided nature of most platforms
 - disruptive innovation?
 - winner-takes-it-all?
- different instruments to address different harms?
 - it is difficult to design ex ante regulation where disruptive innovation takes place

Three regulatory approaches



- critically review existing regulation
 - are authorisations for taxi transport and fee regulation still required?
 - are the reputation mechanisms and fixed fees developed by Internet platforms sufficient to address consumer protection concerns?
- in some cases, new regulation to address new harms may be required
 - eg, access to data and ability to track individual behaviour has entered a new era
 - do we need to define a new set of rules?
- from an EU competition perspective, some guidance texts may need to be rewritten
 - while these texts should not be reviewed specifically for Internet platforms, they may be amongst the main beneficiaries
 - downplay the role of market definitions in merger control
 - in innovative markets, where competition is often of a winner-takes-it-all nature, market shares may not be the best depiction of competitive constraints
 - idem for two-sided markets
 - detail theories of harm concerning vertical agreements that have become quite common between Internet platforms and their suppliers