ITIF | INFORMATION TECHNOLOGY & INNOVATION FOUNDATION
SCHUMPETER PROJECT ON COMPETITION POLICY

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COMMENTS OF ITIF

Before the

Competition and Markets Authority

United Kingdom

In the Matter of	)
Open call for evidence Recent developments in relation to Apple's and Google's app store rules	)

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1. INTRODUCTION AND SUMMARY

The Information Technology and Innovation Foundation (ITIF) welcomes the opportunity to comment on the Competition and Markets Authority's (CMA) open call for evidence concerning recent developments in Apple's and Google's app store rules. ITIF is an independent, non-profit, non-partisan research and educational institute focusing on the intersection of technological innovation and public policy.

The United Kingdom (UK) has experienced persistently weak productivity growth over the past decade, alongside comparatively low investment in intangible capital.[1] Digital platforms—particularly mobile app ecosystems—represent one of the most scalable mechanisms through which productivity-enhancing innovations can diffuse across the economy. As such, competition policy affecting these platforms has implications that extend well beyond mobile app markets, narrowly defined.

At the outset, ITIF emphasises that app stores are not simply payment intermediaries or transactional bottlenecks. They are complex, multi-sided platforms connecting users and developers whose economic value derives from integrated governance across payments, discovery, developer tooling, security, and much more. Regulatory assessments that isolate individual elements of this bundle—especially payment processing—risk mischaracterising how platform competition and innovation in mobile ecosystems function in practice.

ITIF submits that the CMA should (i) assess app store fees in light of the full set of services and investments they support; (ii) approach bans on platform anti-steering policies with caution, instead recognising their potential to counter free-riding, enhance genuine platform-level inter-brand competition, as well as check the power of large incumbent developers; and (iii) prioritise adaptive, proportionate measures that ensure user privacy and security are safeguarded rather than follow the European Union's (EU) Digital Markets Act (DMA) down the path of heavy-handed regulation.

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[1] *See* ITIF, *UK Spending Review's Modest Tech Investment Falls Short of Innovation Ambitions* (June 12, 2025), https://itif.org/publications/2025/06/12/uk-spending-reviews-modest-tech-investment-falls-short-of-innovation-ambitions-says-cdi/; *see also* ITIF, *Fact of the Week: A 10 Percent Increase in Intangible Assets Increases MFP Growth By Up to 0.46 Percent,* (April. 8, 2024), https://itif.org/publications/2024/04/08/10-percent-increase-intangible-assets-increases-mfp-growth/.

2. STEERING DEVELOPMENTS

In general, international experience suggests that iterative, negotiated approaches are the best way to ensure that the negative effects of any enforcement actions on app store privacy and security can—at least to some extent—be mitigated. As ITIF has argued, the EU's DMA, unfortunately, has taken a flawed and heavy-handed approach of banning anti-steering rules and imposing heavy fines for supposed violations.[2]

By contrast, a far more sensible approach appears to be undertaken in Japan in the context of enforcing its Mobile Smartphone Competition Act (MSCA), where regulators and platforms seem to have engaged in constructive dialogue that has resulted in much more narrowly tailored adjustments to platform business models. For example, as the call for evidence notes, the changes in Japan require "any steering links always to be presented alongside Apple's In-App Purchase and include a system disclosure sheet for alternative payment processing methods that explains to the user they will be transacting with the developer and not with Apple."[3]

While there is no similar *ex ante* digital antitrust regulation in the United States, some courts have considered implementing relief in the form severely restrictive policies that could in effect ban commissions on linked transactions and risk resulting in substantial harms which include not simply the "hundreds of millions to billions" of dollars in revenues that platforms could lose, but a reduced incentive and ability to invest and innovate in app stores and mobile platforms.[4]

2.1 Fees

Mobile app stores operated by Apple and Google function as integrated platforms that can be broadly understood as comprising three interdependent layers: discovery and distribution (including app review, search, rankings, and trust signals); commerce and payment processing (including billing, refunds, and fraud management); and developer tools and infrastructure (including APIs, SDKs, analytics, and security frameworks). These layers are jointly supplied and economically linked: Trusted discovery increases consumers' willingness to transact, and both require a comprehensive set of tools and infrastructure that ensure privacy and security; that privacy and security, in turn, lead to greater trust and use on the platform which facilitates app discovery and commerce—a virtuous cycle.

The upshot is simple. Treating app store commissions as equivalent to payment-processing fees alone understates the symbiotic nature of mobile ecosystems and the range of services that enable developers to reach users, monetise innovation, and scale efficiently. In addition, unduly limiting fees can chill investment and innovation by restricting platforms' ability to recoup the costs of investing in their services. Indeed, in multi-sided markets, platforms routinely recover fixed and sunk investments asymmetrically across participants in a way consistent with the specific economies and externalities that obtain on the platform.

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[2] Joseph V. Coniglio, *EU's DMA Fines Are Crossing the Rubicon, Says ITIF*, ITIF (Apr 23, 2025), https://itif.org/publications/2025/04/23/eu-dma-fines-are-crossing-the-rubicon-says-itif/.

[3] CMA, Views sought: Recent developments in relation to Apple's and Google's app store rules (Apr. 1 2026), at 5.

[4] Brief for the Info., Tech., Innovation Found. as Amicus Curiae supporting Defendant/Appellant Apple, Inc., No. 25-2935 (9th Cir. August 25, 2025), at 5. Contrary to the injunction ordered by the district court in the *Epic* litigation, on appeal the Ninth Circuit made clear that Apple should not be prevented from imposing a commission or fee for linked out purchases. *See* Epic. v. Apple, 161 F. 4th 1162 (9th Cir. 2025).

What's more, both Apple and Google already employ differentiated pricing structures that heavily mitigate entry barriers for developers. Specifically, not only does Apple's App Store offer reduced commissions for small developers, with 85 percent of developers paying no commission whatsoever, but for the over $1.3 trillion in developer billings and sales in 2024, developers paid no commission for more than 90 percent of billings and sales.[5] Moreover, Google Play charges a flat listing fee and applies service fees only to monetised transactions, with the vast majority of developers paying no commission at all.[6] Simply put, most developers already pay little or nothing to use these platforms.

2.2 Design

Proposals to restrict platforms from imposing anti-steering rules, such as those involving alternative payment mechanisms, are frequently characterised as pro-competitive interventions that discipline platform pricing. Indeed, not only are they a critical feature of the EU's DMA, but they have been the subject of intense private litigation in the United States.[7] The underlying argument is always the same: Allowing developers to link users to external payment options introduces competition at the point of transaction and constrains app store commissions.

This argument, here again, rests on an incomplete conception of how competition and innovation operate in mobile app platforms—in particular, how assessing any one element of the platform in isolation risks taking a myopic view of where and how value is created. Specifically, while developer steering may seem to affect only a narrow segment of the value chain—namely, payment processing—developers that acquire users through an app store and subsequently redirect them off-platform for payment continue to benefit from the platform's branding, ranking mechanisms, app review processes, and access to developer tools, while bypassing the platform's primary monetisation channel.

As such, from an economic perspective, placing restrictions on platforms that implement anti-steering policies creates a classic free-rider problem that will dampen both platforms' and developers' incentives to invest and innovate—developers benefit from the investments of app stores without providing adequate compensation. As ITIF has explained, by moving payments off the app stores and preventing those platforms from charging a commission, antitrust regulation amounts to "enforced sharing" that "enables free riding by developers and lessens incentives for them to invest in methods of their own to drive transactions to their preferred payment options."[8] In fact, firms "may be forced to generate more revenue through fixed payments, such as by starting to charge small developers a core technology fee, which could strain their ability to dynamically compete."[9]

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[5] Jessica Burley and Andrey Fradkin, *The Global App Store and Its Growth* (June 2025), https://www.apple.com/newsroom/pdfs/2024-Apple-Global-Ecosystem-Report-June2025.pdf; *see also* Apple Inc., *App Store Small Business Program*, https://developer.apple.com/app-store/small-business-program/.

[6] Google, Understanding Google Play's Service Fee, https://support.google.com/googleplay/android-developer/answer/11131145?hl=en.

[7] Brief for the Info., Tech., Innovation Found. as Amicus Curiae supporting Defendant Apple, Inc., No. 25-2935 (9th Cir. June 30, 2025) Dkt. No. 83.1; *see also* Brief for the Info., Tech., Innovation Found. as Amicus Curiae supporting Defendant Google, Inc., No. 24-6256 (9th Cir. August 25, 2025) Dkt. No. 241.1.

[8] Brief for the Info., Tech., Innovation Found. as Amicus Curiae supporting Defendant Apple, Inc., No. 25-2935 (9th Cir. June 30, 2025) Dkt. No. 83.1, p. 10.

[9] *Id.*

To be sure, there are also reasons to think that heavy restrictions on app stores' anti-steering rules are not neutral in their effects across developers. Large, brand- recognised firms with established customer relationships and existing off-platform payment infrastructure are best positioned to exploit link-out options. Smaller developers, by contrast, rely disproportionately on the app store's integrated trust, conversion, and discovery features to reach users and monetise their offerings. As a result, mandating that developers have free rein to steer may promise to be a boon to large developers while overall weakening the level playing field that integrated app store designs currently provide.[10]

2.3 Privacy and Security

As noted above, ensuring users enjoy privacy and security is key to the success of app stores and mobile platforms. Indeed, privacy and security are prerequisites for the user trust which underpins adoption, engagement, and willingness to transact. And of course, the more users utilize a platform, the more developers will compete on it. Indeed, credible and consistently enforced platform safeguards lower transaction costs across the entire app ecosystem, enabling experimentation and competition at the application layer without requiring individual developers to establish their own trust and compliance infrastructure. And again, where users lack confidence in payment integrity, data protection, or content safety, markets tend to fragment toward known brands and incumbents—raising barriers to entry for smaller developers.

However, app store governance is critical not only toward supporting the privacy and security that reduces transaction costs and enables predictable standards around payments, refunds, content moderation, and technical integrity, but also plays a central role in enabling the inter-platform competition that defines the mobile space. As ITIF has made clear, "platform design is itself a primary dimensionality of competition between Google and Apple in the mobile space: Google's 'open philosophy' attempts to gain market share by prioritizing developer engagement and choice, whereas Apple's 'walled garden' approach focuses on winning over users with the most secure and integrated mobile experience possible."[11]

RECOMMENDATIONS

For these reasons, as it analyzes recent developments in relation to Apple's and Google's app store rules for purposes of considering any potential measures of its own, ITIF respectfully offers the following recommendations for the CMA to consider:

- **Anchor the assessment of app store conduct in a comprehensive understanding of platform dynamics.** Rather than taking a myopic view that isolates one part of the app store value chain, the CMA should evaluate fee structures holistically and in a way that accounts for the symbiotic nature of the many functions across the platform, including with regard to facilitating long-run innovation incentives, developer entry, and ecosystem-wide investment.

[10] ITIF, *Why In-App Payments Make Sense, and the Open App Markets Act Does Not* (2022) (explaining how revenue-share models lower entry risk for small developers and why alternative payment mandates disproportionately advantage large incumbents), https://itif.org/publications/2022/01/publications/2022/06/06/why-in-app-payments-make-sense-and-the-open-app-markets-act-does-not/

[11] Brief for the Info., Tech., Innovation Found. as Amicus Curiae supporting Defendant Google, Inc., No. 24-6256 (9th Cir. August 25, 2025) Dkt. No. 241.1, pp. 4-5.

- **Treat steering and link-out practices as potential free-riding mechanisms, not presumptively pro-competitive behavior.** Any attempt to allow greater expansion of developer steering and link-outs must consider the resultant harms to consumers and innovation, including effects on platform appropriability and investment incentives—as well as the potential for asymmetric advantages that accrue to large, brand-recognised developers relative to smaller firms that rely more heavily on integrated platform governance.
- **Avoid wholesale bans on anti-steering restrictions.** Anti-steering rules are critical toward ensuring users have sufficient privacy and security on mobile platforms. Rather than impose wholesale bans on app stores from implementing these policies, the CMA should look to take a more balanced approach that would allow the harms on user privacy and security to be mitigated, such as that contemplated by Japan's MSCA.

CONCLUSION

To the extent intervention is deemed necessary, ITIF respectfully urges the CMA to avoid following the EU DMA's path of heavy-handed regulation when it comes to potential steering measures in the app store space and instead look to other jurisdictions, like Japan, that have taken a more tailored and flexible approach. In crafting any steering measures, the CMA should favour proportionate, adaptive, and reviewable remedies—such as negotiated commitments—over rigid mandates that provide little room for platforms to ensure adequate privacy and security, as well as risk chilling the incentives to invest and innovate which drive competition in mobile platforms.

Very truly yours,

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