



Monitoring of digital communication platforms and gatekeepers of the open Internet

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Executive Summary

Our life and our daily routines are increasingly digital and only a handful of digital conglomerates are shaping the digital space. The conceptual approach presented in this study highlights the importance of large digital conglomerates and shows the need for monitoring. Specifically, the paper distinguishes between services and their functions, ecosystems and especially platforms. Platforms are characterised in particular by their multi-sidedness and the realization of indirect network effects. Individual services or sides of a platform are already subject to existing regulation for electronic communications. In most cases, however, an isolated consideration of individual communications services, i.e. without considering their integration into platforms and ecosystems, is incomplete.

Based on the particular focus of the analysis (e.g. communication services and platforms or specific gatekeepers), there are different competitive dimensions: services are in competition with each other and their respective functions. Platforms often organise competition on the individual sides of their platform and set the prices, especially depending on indirect network effects. Platforms themselves are in competition with other platforms. Both services and platforms are usually part of larger ecosystems. Ecosystems in turn compete with each other at least in some areas, although they often have historically different starting points (e.g. Apple: end-user devices; Amazon: retail; Google: search). Ecosystems make competitive decisions in order to optimise positive external effects in their respective ecosystem, as well as to prevail and expand in competition with other ecosystems.

Ultimately, ecosystems often also strive to achieve gatekeeper status, i.e. a key position as intermediary with a superior negotiating position vis-à-vis upstream or downstream suppliers or buyers. The German draft for the 10th Amendment to the German Restrictive Trade Practices Act (2020), for example, seeks to specifically capture the "paramount cross-market significance" of ecosystems and proposes to capture "intermediary power" as a specific factor of market power.

Key factors that potentially restrict competition are e.g. the bundling of functions, cost structures that favour a corresponding size, access to extensive data collections, positive direct and indirect network effects, single-homing (promoted e.g. by pre-installations in connection with consumer inertia), switching costs, as well as the breadth, financial strength and monetisation of ecosystems and their scope for action in relation to complementary services. Factors potentially promoting competition are multi-homing, interoperability and data portability, a high degree of change and innovation, and product differentiation.

The definition of a relevant market is usually an essential preliminary question for a competition assessment. However, there are methodological difficulties and challenges with regard to the market definition of platforms, which are not taken into account in this monitoring exercise for the time being. Therefore, the calculation of market shares is only possible to a limited extent. The lack of market definition must be taken into account in the interpretation and the concrete framework for the calculation of shares must be explained.

The overall assessment of these factors and in particular their interaction is decisive for the assessment of whether market power exists. For services with similar functions – such as instant messengers –, an assessment on the basis of a matrix with indicators for each of the relevant competitive factors will be compiled. RTR FB TKP division has acquired data for ongoing monitoring which allows estimating the actual use of various applications (frequency, duration, etc.) based on a representative sample of Austrian subscribers. The results of the analysis will be shared with the Austrian Competition Authority (BWB) on an ongoing basis and evaluated jointly. In particular, aspects of the abuse of market power may be taken up by the BWB at a later stage. In addition to this cooperation, a close exchange with the BWB on the methodology developed took place. The ultimate goal of the monitoring is to create an initial system for the competitive assessment of digital platforms and ecosystems, which may also serve as a basic input for further action by other authorities (the Financial Market Authority, KommAustria, the Data Protection Agency, etc.), for example with regard to any competition law/regulatory issues which may arise.

The methodology presented in this study is open for consultation and will be adapted, both according to the results of the consultation and to experiences gained in application. Another task is to extend the competition concept to gatekeepers, which may restrict the open Internet.