

Government sets out plans for how tech regulator will tackle dominance of major firms

- New 'fair-play' rules for biggest tech firms would make it easier for people to switch between phone operating systems and mean smaller firms are alerted to algorithm changes
- Consultation response today confirms plans for fines up to 10 per cent of global turnover for breaches and senior tech bosses will face tough penalties if firms fail to comply with the rules
- New watchdog would be able to ensure fair prices for content in disputes between powerful platforms and content providers such as news publishers and advertisers

Small businesses will be protected from predatory practices and consumers will get more choice and control over their online experiences as the government today sets out its final vision for how the new digital markets regulator will boost competition to drive economic growth and innovation.

The majority of UK companies now rely on powerful tech firms to ensure customers find their business online. These firms control key online gateways for millions of internet users and give preference to their own apps and browsers. They are also able to set their own prices for the online services they provide businesses without challenge, which can be passed on to consumers.

The impact of weakened competition is stark – the Competition and Markets Authority estimates that Google and Facebook made excess UK profits of £2.4 billion in 2018 alone – harming consumers through higher prices.

In response to its [consultation](#) issued last year, the government [today](#) sets out its plans to give statutory powers for the Digital Markets Unit (DMU) to allow it to enforce pro-competition rules and rebalance the relationship tech giants have with consumers and businesses so they are better protected from unfair practices. The DMU is a new watchdog to make sure tech companies don't abuse their market power.

The proposals aim to make it easier for people to switch between Apple iOS and Android phones or between social media accounts without losing their data and messages. Smartphone users could get more choice of which search engines they have access to, more choice of social media platforms as new entrants enter the market, and more control over how their data is used by companies.

Tens of thousands of UK small and medium-size businesses will get a better deal from the big tech firms which they rely on to trade online. Tech firms could need to warn smaller firms about changes to their algorithms which drive traffic and revenues.

The measures will also make sure news publishers are able to monetise their online news content and be paid fairly for it, with the DMU given the power to step in to solve pricing disputes between news outlets and platforms. App developers would be able to sell their apps on fairer and more transparent terms.

More competition across digital markets will create incentives for internet companies to deliver better quality services. Lower fees for advertisers and businesses will stop costs being passed on to consumers leading to lower prices for the goods they buy online.

The government will introduce legislation to put the Digital Markets Unit on a statutory footing in due course.

Digital Minister Chris Philp said:

Technology has revolutionised the way thousands of UK firms do business – helping them reach new customers and putting a range of instant online services at people’s fingertips. But the dominance of a few tech giants is crowding out competition and stifling innovation.

We want to level the playing field and we are arming this new tech regulator with a range of powers to generate lower prices, better choice and more control for consumers while backing content creators, innovators and publishers, including in our vital news industry.

The DMU, [launched](#) in non-statutory form within the Competition and Markets Authority (CMA) last year, will have the power to designate some of the world’s most powerful firms with ‘strategic market status’.

The regulator will enforce new tailored codes of conduct for how the handful of firms dominating digital markets should treat their users and other companies fairly, with tough sanctions for those which ignore the rules.

Under these binding conduct requirements, firms must ensure consumers have open choices about the digital services they use.

For example, the DMU will be able to stop companies limiting consumers to pre-installed software on their devices, making it easier for smartphone users to choose which search engine or messaging apps they use. People will get more decision-making power over how their data is used and handled by tech firms – for example, by opting out of targeted personalised adverts.

Big tech firms in scope of the new regime will have to meet the regulator’s

clear expectations around trust and transparency – such as informing businesses using their services of significant changes which could impact them.

For example, search engines exert huge control over which sites consumers can find. Any changes in their algorithms could mean that traffic is steered away from certain sites and businesses which could have a negative effect on their revenue.

The DMU will also intervene to tackle the root causes of market dominance. Potential interventions include forcing firms with strategic market status to share more data with smaller competitors to help them overcome the advantages of bigger firms.

The requirements will also set out how dominant firms should trade with content providers such as news publishers. The DMU will have powers to resolve pricing disputes so that news providers are paid fairly for their online content.

It could increase the bargaining power of national and regional newspapers, and force social media platforms to be more transparent on how they position publishers on their platforms, and what algorithms are being used.

An arsenal of robust sanctions will be available to the DMU to tackle non-compliance, including fines of up to ten per cent of annual global turnover and additional penalties of five per cent of daily global turnover for each day an offence continues.

It will be able to suspend, block and reverse behaviour by firms that breaches their conduct requirements, ordering them to take specific steps necessary to resolve a breach. Senior managers will face civil penalties if their firms fail to engage properly with requests for information.

Consumer Minister, Paul Scully, said:

We're ensuring our modern, digitised economy gives consumers better products, greater choice and lower prices by having companies compete for customers on a level playing field.

The customer is always right but sometimes they don't get a choice. We'll stop companies from using their power to harm customers, whether they're limiting shoppers' choices to certain software on their devices or making it hard for people to decide how their data is used.

Under new 'light-touch' rules, firms designated with strategic market status will have to report takeovers before they complete so the CMA can conduct an initial assessment of the merger to determine whether further investigation is needed.

Only a small number of firms with substantial and entrenched market power in

the UK will be designated with strategic market status. This will make sure the regime holds the most-powerful businesses to account for their behaviour. The government will define the digital activities and conduct requirements for firms in scope of the regime when it brings forward the legislation.

Andrea Coscelli, Chief Executive of the CMA, said:

The CMA welcomes these proposals and we're pleased that the government has taken forward a number of our recommendations that will allow the DMU to oversee an effective and robust digital markets regime in the UK.

The CMA stands ready to assist the government to ensure that legislation can be brought forward as quickly as possible, so consumers and businesses can benefit.

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In July 2021 the government [launched a consultation](#) on its proposals for a new pro-competition regime for digital markets, including the powers that the Digital Markets Unit will need to ensure the regime is effective. Today the government is publishing its response to that consultation and confirming the statutory powers the DMU will have.