

New watchdog to boost online competition launches

- Digital Markets Unit begins work marking major milestone for online market reform
- Digital Sec asks it to look at relationships between platforms and content providers
- Move aims to spur development of digital services and lower prices for consumers

The Digital Markets Unit (DMU), based in the Competition and Markets Authority (CMA), will oversee plans to give consumers more choice and control over their data, promote online competition and crack down on unfair practices which can often leave businesses and consumers with less choice and more expensive goods and services.

Online platforms bring huge benefits for businesses and society. They make work easier and quicker and help people stay in touch. But there is a consensus that the concentration of power among a small number of firms is curtailing growth and having negative impacts on consumers and businesses which rely on them.

In November 2020 the government announced a new unit would be set up to enforce a new pro-competition regime to cover platforms with considerable market power – known as strategic market status. The new unit has today kicked off its first work programme as it launches in ‘shadow’ non statutory form ahead of legislation granting its full powers.

The government has asked it to begin looking at how codes of conduct could work in practice to govern the relationship between digital platforms and groups such as small businesses which rely on them to advertise or use their services to reach their customers. It will take a sector neutral approach in examining the role of platforms across a range of digital markets, with a view to promoting competition

The Digital Secretary has asked it to work with the communications regulator Ofcom to look specifically at how a code would govern the relationships between platforms and content providers such as news publishers, including to ensure they are as fair and reasonable as possible.

This would pave the way for the future rules of the road and is alongside the wider work being done by the government, following the Cairncross Review and the package of support through the pandemic, to boost the sustainability of the press.

Digital Secretary Oliver Dowden said:

Today is a major milestone in the path to creating the world’s most competitive online markets, with consumers, entrepreneurs and

content publishers at their heart.

The Digital Markets Unit has launched and I've asked it to begin by looking at the relationships between platforms and content providers, and platforms and digital advertisers.

This will pave the way for the development of new digital services and lower prices, give consumers more choice and control over their data, and support our news industry, which is vital to freedom of expression and our democratic values.

Business Secretary Kwasi Kwarteng said

This is a significant step towards our goal of improving consumer choice and delivering better services at lower prices.

The UK has built an enviable reputation as a global tech hub and we want that to continue – but I'm clear that the system needs to be fair for our smaller businesses, new entrepreneurs and the wider British public.

Our new, unashamedly pro-competition regime will help to curb the dominance of tech giants, unleash a wave of innovation throughout the market and ensure smaller firms aren't pushed out.

Andrea Coscelli, Chief Executive of the Competition and Markets Authority (CMA), said:

People shopping on the internet and sharing information online should be able to enjoy the choice, secure data and fair prices that come with a dynamic and competitive industry.

Today is another step towards creating a level playing field in digital markets. The DMU will be a world-leading hub of expertise in this area and when given the powers it needs, I am confident it will play a key role in helping innovation thrive and securing better outcomes for customers.

The government will consult on the design of the new pro-competition regime this year and legislate to put the DMU on a statutory footing as soon as Parliamentary time allows.

The unit will work closely with the CMA enforcement teams already taking action to address practices by digital firms, which harm competition and lead to poor outcomes for consumers and businesses. This includes taking enforcement action against Google and Apple, and scrutinising mergers involving Facebook and eBay.

The government has also today published an outline of the new unit's function

and role for its first year of operation. It includes working alongside business, the government and academia to compile the necessary evidence, knowledge and expertise so that once the new pro-competition regulatory regime is in place it can begin operation as quickly as possible.

As countries around the world grapple with these issues, the unit will coordinate with international partners so the UK remains a global leader in shaping the debate in this area.

The UK is already discussing its approach to digital competition with international partners through bilateral engagement and as part of its G7 presidency. The Digital Secretary will host a meeting of digital and tech ministers in April as he seeks to build consensus for coordination on better information sharing and joining up regulatory and policy approaches.

The Digital Markets Unit will work closely with important regulators including the Information Commissioner's Office, Ofcom and the Financial Conduct Authority so that consumers and businesses are comprehensively protected and the new regime is coherent and effective.

It will be led by Will Hayter, who takes over following his work at the Cabinet Office supporting the UK's transition out of the EU.

The work being announced today will inform future legislation in this area and follows the CMA's [market study](#) into online platforms and digital advertising.

Notes to editors

- The CMA is continuing to take tough action to address practices by digital firms which harm competition and lead to poor outcomes for consumers and businesses, including enforcement action taken against [Google](#) and [Apple](#), and scrutinising mergers involving [Facebook](#) and [eBay](#).
- The CMA is working with the ICO, FCA and Ofcom to [coordinate regulation](#) of digital firms. This work will help inform the DMU's approach going forward.
- The CMA recently set out its [strategy](#) for protecting consumers and promoting competition in digital markets, which prioritises the establishment of the DMU within the CMA.
- Will Hayter will take over the role as interim head of the DMU in early May.
- Last month the Digital Secretary set out his [ten tech priorities](#) including plans to fuel a new era of startups and scaleups by opening up the market to new and innovative tech companies, championing a new age of digital trade and to lead global efforts to boost digital competition, while protecting the freedom of the press.
- The digital sector contributed nearly £150 billion to the UK economy in 2018 – driving opportunity, productivity and creativity in every corner of the UK.
- The CMA market study says Google has significant market power in the general search market and in search advertising, and Facebook has significant market power in the social media market and in display

advertising

- Around £14 billion was spent on digital advertising in the UK in 2019, around 80 per cent of which was spent on Google and Facebook, and the CMA notes the number of adverts that consumers are exposed to on digital platforms is increasing.
- Facebook's average revenue per user has increased from under £5 in 2011 to more than £50 in 2019 and its average revenue per user is now more than ten times higher than competitors.
- In the UK, Google's prices for search advertising on desktop and mobile were 30 to 40 per cent higher than Bing's, its main competitor in 2019.

The CMA also provides evidence that a lack of competition in these markets leads to harms to consumers and businesses through:

1. Reduced innovation.
2. Higher prices for goods and services.
3. Reduced quality.
4. Lack of consumer control.
5. Broader social harm.