

House Commerce Committee
75 Rev Dr Martin Luther King Jr Boulevard
St Paul, MN 55155

Dear Chair Stephenson, Vice Chair Kotyza-Witthuhn, and members of the Committee,

Thank you for the opportunity to testify. My name is Shahid Naeem, and I am a policy analyst at the American Economic Liberties Project, an organization dedicated to reducing the power dominant corporations have over public life. I'm here to express our strong support for HF 1184, a bill that would prevent large app distributors such as Apple and Google from using their power to harm smaller app developers, resulting in ever-more revenue being siphoned away from innovative Minnesota businesses into the hands of dominant Big Tech corporations.

Through a series of predatory and abusive tactics, Apple and Google have become dominant in app distribution – essentially, every app or bit of software you download has to go through either Apple's App Store or Google's Google Play. As Congress' House Antitrust Subcommittee detailed in its historic report in 2020, these monopolists then use their position as gatekeepers to force developers and small businesses to agree to unfair and extortionary terms in order to reach consumers.¹ This results in tangible harms to Minnesota businesses and communities by choking innovation, depressing business dynamism, and undermining job growth.²

App store gatekeepers charge up to 30 percent merely for allowing businesses to transact with their own customers. (As a comparison, credit card networks typically charge around 3 percent.) They accomplish this by forcing those businesses to use the app store's own in-house payment system or lose their sole source of access to those customers.³ Small and mid-sized Minnesota businesses exist at the whims of platform monopolies that can arbitrarily crush them overnight, with no warning or recourse, if they don't agree to turn over this significant cut of their revenue.⁴

¹ "Investigation of Competition in Digital Markets," Subcommittee on Antitrust, Commercial and Administrative Law of the Committee on the Judiciary, Oct. 2020 https://judiciary.house.gov/uploadedfiles/competition_in_digital_markets.pdf

² "Confronting America's Concentration Crisis: A Ledger of Harms and Framework for Advancing Economic Liberty for All," American Economic Liberties Project, Aug. 6, 2020 <https://www.economicliberties.us/our-work/confronting-americas-concentration-crisis-a-ledger-of-harms-and-framework-for-advancing-economic-liberty-for-all/>

³ Nicas, Jack, "How Apple's 30% App Store Cut Became a Boon and a Headache," The New York Times, Aug. 14, 2020 <https://www.nytimes.com/2020/08/14/technology/apple-app-store-epic-games-fortnite.html>

⁴ "Investigation of Competition in Digital Markets."

Apple alone makes tens of billions of dollars annually from these fees, and while it claims to be adding safety and vetting procedures to the app economy to justify those charges, recent reporting has shown those claims to be massively overblown.⁵ The fees are also not levied on all sorts of large corporations, such as Uber or Amazon, showing that they are not about security or any of the other excuses our dominant tech gatekeepers give, but about power: The fees are levied on those who don't have the resources to fight them.

HF 1184 would prevent Big Tech from imposing these terms onto developers by opening up competition in payments systems. It would also protect smaller companies that refrain from using Big Tech's payment systems from retaliation. The Senate Judiciary Committee recently approved a similar measure with a bipartisan vote of 20-2, showing that this is a mainstream idea whose time has come. You can act now to protect Minnesota businesses from unfair and abusive practices.

To be very clear, this is a pro-market bill that is about fairness and competition in markets, not any of the other scare terms that have been thrown around to sow fear and confusion. It merely says that if a developer wants to use an alternative payment system, allowing them to directly interact with their own customers if they so choose, they can. Small and mid-sized business would survive on the strength of their product, rather than their ability to successfully navigate obstacles set up by Big Tech gatekeepers.

But this isn't just a spat between businesses – gatekeeping by Big Tech also affects consumers. Money they spend intending support Minnesota businesses whose products they like instead get captured by monopolists and sent out of state. Apple even implements a gag order that prevents developers from communicating to app store consumers that prices are lower elsewhere, like on the developer's own website, a practice that a court recently declared an unfair business practice, and which raises prices across the app economy for everyone.

We meet developers all the time who are affected by these problems but are afraid to speak out, due to the threat of retaliation. And to that end, HF 1184 would incentivize developers to locate to Minnesota, knowing it's a state that protects and fosters fair and open access to markets.

⁵ Hollister, Sean, "Apple's \$64 Billion-A-Year App Store Isn't Catching the Most Egregious Scams," The Verge, April 21, 2021 <https://www.theverge.com/2021/4/21/22385859/apple-app-store-scams-fraud-review-enforcement-top-grossing-kosta-elftheriou>; and Albergotti, Reed, "He believed Apple's App Store was safe. Then a fake app stole his life savings in bitcoin." The Washington Post, March 30, 2021 <https://www.washingtonpost.com/technology/2021/03/30/trezor-scam-bitcoin-1-million/>

**AMERICAN
ECONOMIC
LIBERTIES
PROJECT**

I hope you support HF 1184, allowing Minnesota to revitalize its legacy as a tech powerhouse and become a national leader on a vital area of economic policy.

Sincerely,

Shahid Naeem
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