

Submission on the final report of the Australian Competition and Consumer Commission's Digital Platforms Inquiry

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In a [submission](#) to the Australian Treasury on 12 September 2019, a group of esteemed international scholars critiqued the recently published [Final Report](#) of the Australian Competition and Consumer Commission (ACCC) Digital Platforms Inquiry.

In its report, the ACCC claims that competition in the media, communications, advertising and other markets it investigated is “not working,” and that substantial regulatory and legislative changes are necessary to solve—and *would* solve—the problems caused by ineffective competition.

But the premise that competition is not working is not well supported by evidence presented in the report. Meanwhile, the report's conclusion misses the bigger picture: Government intervention is appropriate only if it produces net social benefits. Yet the ACCC almost entirely omits consideration of the adverse effects of its proposed interventions, which in many cases are likely worse than the alleged problems. As such, the report's proposals should be treated with great caution.

The submission tackles three “significant oversights”:

1. The ACCC's recommendations on “platform neutrality” and the proposed creation of a “digital platforms branch” underestimate the limits of regulators' ability to identify market failure and the major difficulties that regulators face when attempting to design markets. For instance, the ACCC recommends that Google be forced to introduce browser and search engine choice screens. Yet it is not clear that the introduction of such screens will either accelerate the entry of competitors or improve users' experience.
2. The ACCC's attempts to prop up local media firms (through subsidies and other means) appears to be driven by nostalgia for a bygone, pre-modern era, rather than a rigorous assessment of the costs and benefits of media regulation. The ACCC is quick to assume that its recommendations would produce tangible benefits for consumers, but it overlooks the potential market distortions—and impediments to ongoing innovation—that might be generated in the process.
3. The report's recommended extension of Australia's privacy legislation completely ignores the tremendous compliance costs that doing so would impose on firms and, indirectly, on consumers. The recent introduction of privacy legislation in the EU and California suggests that these compliance costs might well outstrip the benefits to

users.

The [submission](#) notes in conclusion that “The ACCC’s lackadaisical assessment of regulatory costs is all-the-more troubling given that its report focuses on an extremely dynamic industry. What is only a small regulatory cost today could severely hamper competition in the future.”

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