



Monitoring of digital communications platforms and gatekeepers of the open internet

RTR Telecommunications and Postal Services Division (RTR FB TKP)

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Executive summary

Digital technology is increasingly dominating our lives and day-to-day affairs, while only a few digital corporations are shaping digital space. The conceptual approach presented here highlights how significant major digital corporations have become and identifies the need for monitoring. In the ensuing analysis, this paper distinguishes in detail between services and their functions, ecosystems, and platforms. What mainly distinguishes platforms is multi-sidedness and the capability of generating indirect network effects. Individual services or sides belonging to one platform are already subject to existing electronic communications regulation. An incomplete picture nonetheless emerges when an isolated view is taken of specific communications services, without considering how they link into platforms and ecosystems.

Differing competitive dimensions become apparent depending on the particular topic examined (for example, communication services and platforms or specific gatekeepers). Services compete with one another through their functions in each case. Platforms often organise competition between individual platform sides and set prices, in particular depending on indirect network effects. Platforms in turn compete with other platforms. Both services and platforms usually belong to larger ecosystems. Ecosystems in turn compete with one another at least in subcategories, even though often originating in differing sectors (e.g. Apple in user devices, Amazon in retailing, and Google in web searching). Ecosystems take competitive decisions aimed at optimising the positive external effects within the particular ecosystem, as well as at prevailing over other ecosystems and expanding at their expense.

Ultimately, ecosystems strive in many instances to achieve gatekeeper status, assuming a key position as intermediaries that enjoy a superior position when negotiating with suppliers or buyers upstream or downstream in the chain. In Germany, the draft bill for the tenth amendment to the GWB (German Competition Act 2020) seeks to specifically define ecosystems as having ‘paramount significance across markets’ while proposing to define the ‘power of intermediation’ as a specific factor in market power.

Key factors potentially restricting competition include: the bundling of functions; the cost structures favouring a comparable scale; access to extensive data collections; direct and indirect positive network effects; single-homing (supported by phenomena such as pre-installation and simultaneous consumer lethargy), 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, as well as a large degree of change and innovation and product differentiation.

The definition of a relevant market is usually a precondition for assessing competition. In the case of platforms, however, market definition poses methodological difficulties and challenges, which are initially not considered in this monitoring exercise. Thus, market shares can be determined only to a limited extent;

in interpretation, attention needs to be drawn to the lack of a market definition while elaborating the specific frame of reference used to determine market shares.

Whether market power exists is ultimately determined by considering all these factors in their entirety and, especially, in how they interact. To assess services with similar functions—such as instant messaging—a matrix is presented that includes indicators for each factor relevant for competition. RTR's Telecommunications and Postal Services Division (RTR FB TKP) has acquired data, based on a representative sample of Austrian subscribers, allowing ongoing monitoring of how various applications are used in detail (frequency, amount of time etc.). The results of the assessment are to be shared with the Federal Competition Authority (BWB) and jointly evaluated on an ongoing basis. The BWB can later specifically address aspects relating to abuse of market power. Also, with regard to methodology, the BWB has been closely consulted. The ultimate goal of the monitoring exercise is to establish an initial means of assessing digital platforms and ecosystems with a view to competition, possibly serving also as basic input for further action by other authorities (such as the BWB, KommAustria or the Data Protection Authority), for example to address any emerging competition/regulatory issues.

This methodology is to be subsequently put to consultation. Another task is to expand the scope of the competition methodology to include gatekeepers who might restrict open internet access.