



Supplemental Submission on Apple's App Tracking Transparency Rules

1. Introduction

- 1.1 Meta made a detailed submission to the CMA on 22 July 2022 stating our view that Apple's App Tracking Transparency Rules (**ATT**) ought to be in the scope of the mobile ecosystems market investigation reference (**MIR**). We make this supplemental submission in light of both (a) emerging evidence on Apple's anti-competitive strategy; and (b) ATT's contribution to the increasingly acute UK cost of living crisis.

2. Emerging evidence on Apple's anti-competitive strategy

- 2.1 [CONFIDENTIAL] Apple's anti-competitive implementation of ATT (a) increases Apple's ability to extract monopolistic app store fees from developers (by degrading ads as an alternative monetisation tool); and (b) benefits Apple's own ads business. Recent developments have provided further evidence of Apple's strategy.
- 2.2 On 12 August 2022 the Wall Street Journal reported evidence that Apple is deploying ATT as a means of attacking free ad-supported apps and pushing such apps to fee-based monetisation models that are subject to Apple's 30% tax. On 15 August 2022, tech analyst Ben Thompson published a follow-up article providing further evidence of Apple's strategy in this regard. Thompson notes that Apple's behaviour "*remains to my mind the most breathtaking exercise of market power in the history of technology*". Both articles are enclosed with this submission.
- 2.3 On 3 August 2022 DigiDay reported that Apple job listings have revealed that Apple intends to build its own advertising demand-side platform (**DSP**). This news further confirms Apple's intention to continue the rapid growth of its own advertising business, taking advantage of the anti-competitive advantage it has granted Apple ads over rivals.¹ DigiDay notes that "*A DSP is a statement of intent for any ads business — let alone one like Apple, which has grown exponentially on the back of its decision to make it harder for companies to grow their own within its ecosystem.*" The article is enclosed with this submission.

3. ATT and costs for consumers

- 3.1 The CMA has recently emphasised the need to protect consumers from rising prices during the cost of living crisis.² Since the CMA's findings in the Final Report indicate that ATT is likely to increase costs for UK consumers, Meta believes it would be a missed opportunity to exclude ATT from the MIR.
- 3.2 The CMA's findings in the Final Report show that, among other competitive harms, ATT is likely

¹ This news is consistent with other recent reports of Apple's rapid growth in advertising. For example, it has been reported that Apple now generates \$4bn from advertising (see [here](#)). It has also been reported that Apple search ads increased from driving 17% of all iPhone app downloads attributed to advertising to 58% in just one year (see [here](#)).

² Sarah Cardell, "Maximising our relevance and impact in a changing world", speech to the Law Society (June 2022).

to increase the cost to UK consumers for mobile apps as well as other advertised goods and services.

- 3.3 As regards the **cost of mobile apps**: ATT prevents developers from monetising their apps effectively using advertising. Among other harms, this drives developers toward charging fees to consumers. The Final Report finds that ATT is “likely to result in harm to competition, make it harder for app developers to find customers and to monetise their apps, and ultimately harm consumers by increasing the prices or reducing the quality and variety of apps available.”³ Moreover, ATT prohibits developers from offering incentives to consumers to opt-in to the ATT consent. The CMA found that such incentives could benefit consumers by promoting greater competition in ad-funded markets⁴ but ATT places an outright ban on developers’ ability to offer any such value transfer to consumers.
- 3.4 As regards the **cost of other goods and services**: ATT reduces the effectiveness of (non-Apple) advertising services, increasing the amount that businesses need to spend on advertising to achieve each sale. The Final Report finds that ATT makes “in-app advertising less effective”.⁵ By making advertising less effective (and therefore more expensive), ATT is imposing extra costs on advertisers. [CONFIDENTIAL] for e-commerce and other advertisers, the reported median cost per acquisition on iOS has increased dramatically following ATT’s implementation.⁶ As the CMA’s found in the *Online platforms and digital advertising market study*, increased advertising costs for businesses can be expected to result in higher prices for the goods and services being advertised, ultimately harming consumers.⁷
- 3.5 Given the CMA’s findings that ATT is likely to increase costs for UK consumers, including ATT in the MIR would be a tangible and important measure to protect UK consumers from unnecessary and harmful increased costs.

4. ATT and the CMA’s agenda

- 4.1 Finally, including ATT in the MIR would also be consistent with the CMA’s wider agenda, both with respect to Apple and more generally:
- Taking action on ATT is essential to avoid undermining the CMA’s valuable work to tackle Apple’s anti-competitive conduct in other areas. ATT is closely linked to the issues within the proposed scope of the MIR. Expanding the MIR’s scope to include ATT would ensure that the investigation into, and any remedies imposed to address, Apple’s restrictions on cloud gaming and web browsers are effective in combating Apple’s strategy of locking consumers into the iOS ecosystem.⁸ Remedying ATT will also enhance the efficacy of the CMA’s separate investigation into Apple’s App Store practices, since effective advertising is

³ Final Report, paragraph 6.219.

⁴ Appendix J to the Final Report, paragraph 101.

⁵ Ibid., paragraph 130.

⁶ [CONFIDENTIAL]

⁷ CMA Market study into online platforms and digital advertising (July 2020), paragraph 2.85.

⁸ For example, see Final Report: paragraphs 6.214 and 6.264 (where the CMA concludes that ATT further entrenches Apple’s App Store position and therefore its market power in app distribution); paragraph 6.265 (where the CMA concludes that Apple’s restrictions on cloud gaming on iOS protect its competitive position in app distribution, as well as in mobile devices and operating systems); and paragraphs 5.146-5.147 (where the CMA concludes that Apple’s restrictions on web browsers enable Apple to retain market power within its iOS ecosystem, raising developers’ costs and hindering competition).

currently the only way for developers to monetise iOS apps without having to pay the 30% Apple tax.

- Taking action on ATT would also be consistent with the CMA's wider enforcement agenda in the sector. The CMA has taken extensive measures to seek to ensure that Google's deprecation of third-party cookies on the web in 2024 does not distort competition. Since ATT is already harming UK consumers, strong CMA action on ATT is required and would be aligned with the CMA's wider approach.

4.2 It is clear that ATT is having a huge negative impact on competition and will have a real impact on UK consumers in the coming months and years. The CMA's agenda to preserve and enhance competition in the iOS ecosystem is unlikely to succeed without decisive action on ATT. Meta believes that an MIR that includes ATT has the potential to be a real step forward in opening the iOS ecosystem to competition. If the CMA chooses not to include ATT in the MIR, we urge the CMA to open a Competition Act investigation into ATT as a matter of urgency. Meta remains available to provide evidence to either an MIR or a Competition Act investigation.