

Apple and Google app stores get thumbs down from White House

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Customers shop in an Apple store in Pittsburgh Jan. 30, 2023. The Biden administration is taking aim at Apple and Google for operating mobile app stores that it says stifle competition. The finding is contained in a Commerce Department report being released by the administration on Wednesday. Credit: AP Photo/Gene J. Puskar, File

The Biden administration is taking aim at Apple and Google for operating mobile app stores that it says stifle competition.

The finding is contained in a Commerce Department report released by the administration on Wednesday as President Joe Biden convened his competition council for an update on efforts to promote competition and lower prices.

"You've heard me say capitalism without competition isn't capitalism," Biden said Wednesday before convening the meeting, "it is just simply exploitation," he said.

And on another competition front, the Consumer Financial Protection Bureau was pushing forward with efforts to limit credit card late fees.

The report from the Commerce Department's National Telecommunications and Information Administration says the current app store model—dominated by Apple and Google—is "harmful to consumers and developers" by inflating prices and reducing innovation. The firms have a stranglehold on the market that squelches competition, it adds.

"The policies that Apple and Google have in place in their own mobile app stores have created unnecessary barriers and costs for app developers, ranging from fees for access to functional restrictions that favor some apps over others" the report said.

In an op-ed in The Wall Street Journal in January, Biden called on Democrats and Republicans to rein in large tech firms without mentioning Cupertino, California-based Apple Inc. and Mountain View, California-based Google LLC by name.

"When tech platforms get big enough, many find ways to promote their

own products while excluding or disadvantaging competitors—or charge competitors a fortune to sell on their platform," Biden said. "My vision for our economy is one in which everyone—small and mid-sized businesses, mom-and-pop shops, entrepreneurs—can compete on a level playing field with the biggest companies."

A representative from Apple told The Associated Press that "we respectfully disagree with a number of conclusions reached in the report, which ignore the investments we make in innovation, privacy and security—all of which contribute to why users love iPhone and create a level playing field for small developers to compete on a safe and trusted platform."

And a Google spokesperson said the firm also disagrees with the report, namely "how this report characterizes Android, which enables more choice and competition than any other mobile operating system."

A legal battle over app store dominance is already playing out in the courts.

Apple has defended the area surrounding its iPhone app store, known as a walled garden, as an indispensable feature prized by consumers who want the best protection available for their personal information. It has said it faces significant competition from various alternatives to video games on its iPhones. And Google has long defended itself against claims of monopoly.

The Commerce Department report said "new legislation and additional antitrust enforcement actions are likely necessary" to boost competition in the app ecosystem.

Alan Davidson, the NTIA administrator, told reporters the report "identifies where legislation would be needed to address some of these

issues."

Biden said that his administration will work with state and local officials to identify ways to crack down on junk fees in their jurisdictions. He also called on Congress to pass the Junk Fee Protection Act that would target hidden fees in the entertainment, travel and hospitality industries.

Meanwhile, the White House said the Consumer Financial Protection Bureau would move forward with a proposed rule to limit credit card late fees, which the bureau estimates would save consumers roughly \$9 billion in late fees annually.

Rohit Chopra, the bureau's director, said the rule is projected to reduce typical late fees from roughly \$30 to \$8 for missed payments and could go into effect as soon as 2024.

"Historically, credit card companies charge relatively small penalty amounts for missed payments, but once they discovered that these fees could be a source of easy profits, late fees shot up with a surge occurring in the 2000s," Chopra told reporters. "And in recent years, these late fees have surged to as much as \$41 for a missed payment. These fees add up, with consumers being hit with \$12 billion a year in late fees in addition to the billions of dollars in interest they're paying."

The bureau is the nation's financial watchdog agency created in 2011 after the Great Recession.

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