

March 10, 2022

Dear Senator/Representative:

We, the undersigned, oppose proposed state and federal legislation to regulate online application distribution platforms, more commonly known as app stores. The two largest app stores are Google's Play Store and Apple's App Store. But they are not the only app distribution platforms; companies like Samsung, Amazon, and Sony also have app stores, and there are a host of other app stores available, such as Aptoide and F-Droid.

We are concerned that proposed mandates would fundamentally restructure the online application distribution ecosystem, which has provided consumers safe, secure, and easy access to the apps that populate our smartphones and make them so useful in everyday life. At the same time, app stores provide developers access to a global market, providing services that developers would otherwise be required to invest in themselves, such as distribution, marketing, and the infrastructure necessary to reach their customers.

The online application distribution model was first introduced when Apple launched its App Store in 2008, with 500 applications. Today, there are 3.5 million apps in Google Play and 2.2 million apps in the App Store. In 2020 there were more than 218 billion downloads from app stores worldwide. In exchange for access to the app store, developers pay a commission on all sales. For large app developers the commission is 30 percent; smaller developers pay a 15 percent commission. It should be noted that no commission is paid on free apps and well over 90 percent of the apps in both the Play Store and AppStore are free.

The proliferation of apps and number of downloads suggests that both developers and users find app stores a convenient and valuable way of doing business. Nonetheless, Congress and several states have introduced legislation to intervene in the app market. In particular, there are efforts to mandate that app stores allow third-party payment systems as well as "side-loading," or loading apps from sources other than the app store. Both of these practices are attempts by certain companies to enjoy the benefits of the app store without having to pay the costs.

Unfortunately, these changes raise considerable security and privacy concerns. They can also impose new costs on both consumers and developers. Recouping payments lost due to these changes may require higher prices from those apps remaining in the system, which could raise prices on consumers. Alternatively, the bundle of services provided by the distribution platforms may be reduced, raising costs for developers who would have to provide the services themselves. Either choice raises costs and reduces the efficiency of the current online digital applications distribution system.

App stores have created a thriving market that serves both consumers and developers well. Imposing new restrictions that override existing contractual arrangements will harm this ecosystem while raising real concerns for consumers about privacy and security. With millions of apps and billions of consumers the market appears to be functioning well. What is more, the fees

charged to developers have not been rising, which raises questions as to why new government mandates should override existing contracts in a market that is functioning well.

For these reasons, we oppose state and federal regulations on online application distribution platforms.

Sincerely,

Wayne Brough
Director, Technology & Innovation
R Street Institute

Brandon Arnold
Executive Vice President
National Taxpayers Foundation

Daniel Castro
Vice President
Information Technology and Innovation Foundation

Bartlett Cleland
Executive Director
Innovation Economy Institute

Brent Wm. Gardner
Chief Government Affairs Officer
Americans for Prosperity

Heather Higgins
CEO
Independent Women's Voice

Carrie Lukas
President
Independent Women's Forum

Adam Kovacevich
Founder & CEO
Chamber of Progress

Jessica Melugin
Director, Center for Technology and Innovation
Competitive Enterprise Institute

Seton Motley
President
Less Government

Steve Pociask
President and CEO
American Consumer Institute

Andrew Quinlan
President
Center for Freedom and Prosperity

Carl Szabo
Vice President and General Counsel
NetChoice