

Dear Senator/Representative:

We, the undersigned, oppose state regulations on online application distribution platforms, more commonly known as app stores. Google's Play Store is the largest app distribution platform, followed by 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.

In exchange for access to the app store, developers pay a commission. The industry wide standard is roughly 30 percent which is also the commission used by the two largest app stores, Google Play and Apple. It should be noted that the commission only applies to apps that are sold. Free apps do not pay, and the fee is dropped to 15 percent for annual follow-on sales. In addition, Apple recently announced a reduced commission of 15 percent for smaller developers with sales under \$1 million. Google followed suit with a similar price reduction for smaller app developers.

The online application distribution model was first introduced when Apple launched its App Store in 2008, with 500 applications. Today, the App Store alone has more than 2 million applications, with over 500 million users visiting the App Store every week. The proliferation of apps suggests that both developers and users find app stores a convenient and valuable way of doing business.

Nonetheless, 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 any 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.

It is also important to remember that the market for apps spans the globe, reaching more than 175 countries. Imposing state-level mandates on this market can be confusing and can also raise significant constitutional questions, especially with respect to interstate commerce and the dormant Commerce Clause. Moreover, the proposed changes would override private contracts, which raises additional legal and constitutional concerns.

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 increased, 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 regulations on online application distribution platforms.

Sincerely,

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