

House of Representatives Standing Committee on Economics – Economic Dynamism QoNs

#	Member	Question	Hansard Reference	RESPONSE
AP01QON	Dr Mulino	<p>CHAIR: You could argue that a small proportion of apps involve the 30 per cent being applied, but what proportion of total spend by consumers on in-app purchases see the 30 per cent applied?</p> <p>Mr Andeer: I don't know that figure.</p>	Proof Transcript, 29 August 2023, p.13.	<p>We can confirm that around 85 per cent of developers pay no commission to Apple at all.</p> <p>Of those developers who do pay a commission, we have progressively lowered commissions over many years of the App Store. Today, the commission is almost always 15 per cent.</p> <p>The only developers required to pay a commission of 30 per cent are those who acquire customers via the App Store and sell digital goods used on their iPhone, and make over US\$1 million per year. Of the developers who pay a commission, only a very small number of large and successful developers pay a commission of 30 per cent.</p> <p>Apple regrets that it is unable to provide the specific proportion, which is sensitive business information, to the Committee.</p>

House of Representatives Standing Committee on Economics – Economic Dynamism QoNs

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AP02QON	Dr Mulino	<p>CHAIR: Could you provide data to the committee on the use of Apple Pay, not only the number of users but also the number of transactions over the last 10 years, and projections going forward?</p> <p>Mr Andeer: Certainly. We are really proud of what Apple Pay and Apple Wallet have done, particularly in Australia; we launched there in 2015. Today, we have more than six million users in Australia, which is fantastic. In terms of transaction data, I don't have those figures.</p> <p>CHAIR: I will put a question on notice.</p> <p>Mr Andeer: I am happy to take that.</p>	Proof Transcript, 29 August 2023, p.14.	<p>Data on the specific number of transactions made using, and fees charged to issuers in Australia for the use of, Apple Pay are subject to confidentiality restrictions under the terms of Apple's agreements with issuers. Apple does not make any specific projections about future number of users and transactions, given the difficulty of doing so in a dynamic and competitive payments landscape.</p> <p>As noted, more than six million Australians use Apple Pay across more than 100 banks and card issuers in Australia, and half the respondents to the RBA's latest Consumer Payments Survey reported that they had at least one payment card stored in a digital wallet (RBA, Consumer Payment Behaviour in Australia, 15 June 2023). Consumers enjoy using Apple Pay to make purchases in stores, on participating websites and in apps because of Apple's investments to ensure that it is widely accepted, simple, safe, secure and private.</p>

House of Representatives Standing Committee on Economics – Economic Dynamism QoNs

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AP03QON	Dr Mulino	<p>CHAIR: If I were to ask a question on notice, would you be able to provide the quantum of how much you charge financial institutions in Australia?</p> <p>Mr Andeer: I could take a look at that</p>	Proof Transcript, 29 August 2023, p.15.	<p>For the reasons set out above, this data is confidential under the terms of Apple’s agreements with issuers. Apple’s practice of charging fees is no different to the fees that banks pay other providers. Apple charges a small and reasonable fee to participating issuers in return for use of Apple’s proprietary technology and the services Apple provides to issuers. Apple only charges fees to issuers (i.e. Apple does not charge merchants, acquirers, PSPs, or the customers in the context of Apple Pay). Apple Pay fees would represent a tiny fraction of the overall payment-related costs incurred by Australian financial institutions.</p> <p>A critical difference between Apple’s fees and the fees banks pay to its other service providers is that under Apple’s fee structure, the smallest banks pay exactly the same fees as the largest. This enables all banks to enjoy equal access to Apple Pay in terms of usability and prominence to ensure that consumer choice, and not a single bank’s market power, dictates which payment card is used to make a transaction.</p> <p>Apple’s position is that consumers should not have to pay extra fees to banks and card issuers to use Apple Pay compared to other forms of contactless payments – and that banks should not be able to free ride on Apple’s investment and innovation in developing Apple Pay,</p>

House of Representatives Standing Committee on Economics – Economic Dynamism QoNs

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				including the mobile operating system and hardware that enables Apple Pay in each Apple device. Apple's focus in developing Apple Pay has always been to bring innovation to payments while providing Apple technology on a non-discriminatory basis.

House of Representatives Standing Committee on Economics – Economic Dynamism QoNs

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AP04QON	Dr Charlton	<p>Dr CHARLTON: You don't retain the number of transactions that an individual uses Apple for and you don't use that to develop or refine any of your products or services; is that how I interpret your answer?</p> <p>Mr Andeer: We have some aggregate data. I would have to come back. Some of these questions are pretty detailed and I would need to go back and make sure that my answers are accurate.</p>	Proof Transcript, 29 August 2023, p.17.	<p>No. In offering Apple Pay, Apple does not retain transaction data or sensitive financial data (such as the account number of provisioned cards) of Apple Pay users. Customers' privacy always lies at the core of Apple Pay. When a consumer pays using Apple Pay, Apple does not retain any transaction information that can be linked back to the consumer. Apple's focus on privacy is such that Apple does not have any visibility over the number or size of transactions made using Apple Pay and therefore relies on schemes and issuers to report this data for the purposes of calculating fees.</p> <p>With Apple Pay, Apple has shown that it is possible to provide an easy-to-use payment solution without the need to keep data about what users are purchasing and where. Apple strongly believes that the Apple digital wallet solution should enhance a user's privacy compared to the physical card space, which is why what a user bought and how much they paid for it remains on the user's device, within their control, and is not kept by Apple in a personally identifiable form. Apple does not keep a record of any personally identifiable transaction information when Apple Pay is used and does not handle any personal data on behalf of the banks or e-money providers that use Apple Pay in Australia. Payment transactions are between the user and the merchant or developer,</p>

House of Representatives Standing Committee on Economics – Economic Dynamism QoNs

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				<p>although other parties help to operate the payment ecosystem, such as the user's bank or e-money provider, and the payment networks.</p> <p>Apple does process non-personally identifiable information collected from Pay and Wallet as a necessary component of ensuring a safe, secure, and error-free experience and to improve the product to maximize a customer's experience. For example, to better understand when transactions attempted through Apple Pay are failing. This reflects Apple's core values on data security and a commitment to ensuring customer privacy.</p>

House of Representatives Standing Committee on Economics – Economic Dynamism QoNs

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AP05QON	Dr Charlton	<p>Dr CHARLTON: If you think about the market share across those pre-installed apps and you compare it to the market share in areas where you haven't pre-installed an app, what's the difference?</p> <p>Mr Andeer: Frankly, you're comparing music apps to productivity suite, to—I think we even have a poker app. There are a whole host of them. It's hard to compare—pardon the pun—apples to oranges. It's sort of an apples and oranges comparison. I don't think we see significant differences, but I'd have to look at it.</p>	Proof Transcript, 29 August 2023, p.17.	<p>Apple does not track market shares for each of its pre-installed apps. However, in Apple's experience, pre-installation does not confer any meaningful competitive advantage. As the Analysis Group found in April 2022, "Apple's own apps, while used by many, are rarely the most popular of a given type and are eclipsed in popularity by third-party apps for nearly every country and app type we considered," and "[t]his is the case even though the Apple apps are preinstalled and do not require the user to download them." For example, Spotify is 3.6x more popular in Australia and New Zealand than Apple Music; Google Maps is 2.7x more popular than Apple Maps; and Netflix is more than 15x more popular than Apple TV+.</p>

House of Representatives Standing Committee on Economics – Economic Dynamism QoNs

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AP06QON	Dr Mulino	<p>Mr Andeer: In certain jurisdictions, as you mentioned, like South Korea and the Netherlands, there have been mandates to break the bundle of services that we offer to developers and offer some of them separately. One of the core focuses has been around payment processing, allowing third-party or alternative payment processors to integrate and to facilitate in-app transactions. We have made changes, for example, in Korea, where we offer developers that choice, as required by law. You can use the in-app purchase, but if you want to use an alternative, we make that available to developers in Korea.</p> <p>CHAIR: What's your assessment of the impact that has had?</p> <p>Mr Andeer: We are still in</p>	Proof Transcript, 29 August 2023, p.19.	<p>Apple is still assessing how developers are reacting to these relatively recent changes. While a small number of developers may choose to use alternative payment methods in these jurisdictions, both developers and consumers recognize and enjoy the benefits of using Apple's in-app purchase technology, which provides a consistent, safe and secure user experience with easy payment across apps, and offers a variety of features such as centralized subscription management, Apple customer support for purchases, and Apple's comprehensive suite of parental controls. None of these features can be made available through alternative payment methods.</p>

House of Representatives Standing Committee on Economics – Economic Dynamism QoNs

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		<p>early days. We have significant concerns that it will increase fraud and increase misleading subscriptions and subscription traps. We know that out there—we have looked at some of these things—there are dark patterns. I don't know if you followed the FTC action against Epic Games, where they obtained almost a half a billion dollar fine for manipulating and deceiving customers into making purchases. It's these sorts of practices that we have invested a lot of time and effort in protecting against, through our in-app purchase. We are very concerned that, as you open it up and allow for alternative payments, these risks will come to even greater light. We have some significant concerns, particularly when it comes to digital payments. In some</p>		

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		<p>ways, this is one of the more dangerous areas, particularly when it comes to children, that we're worried about.</p> <p>CHAIR: Again, this could be a question that I put on notice. It would be useful to get any updates that your colleagues in other jurisdictions have in relation to that, or developments in those two jurisdictions [South Korea and Netherlands] in particular.</p>		

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