

EU Slugs Google Again -- \$5 Billion for Anti-competitive Practices

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BRUSSELS — European regulators came down hard on another U.S. tech giant Wednesday, fining Google a record \$5 billion (7.3 billion NZD) for forcing cellphone makers that use the company's Android operating system to install Google search and browser apps.



The European Union said Google's practices restrict competition and reduce choices for consumers.

While Google can easily afford the fine, the ruling could undermine the company's business model, which relies on giving away its operating system in return for opportunities to sell ads and other products.

Google immediately said it will appeal, arguing that its free operating system has led to lower-price phones and created competition with its chief rival, Apple.

Android has "created more choice for everyone, not less," Google CEO Sundar Pichai tweeted.

The fine, which caps a three-year investigation, is the biggest ever imposed on a company by the EU for anticompetitive behavior.

It is likely to stoke tensions between Europe and the U.S., which regulates the tech industry with a lighter hand and has complained that the EU is singling out American companies for punishment.

Still, some U.S. politicians welcomed the ruling.

Democratic Sen. Richard Blumenthal of Connecticut tweeted that the fine should "be a wake-up call" to the Federal Trade Commission and "should lead US enforcers to protect consumers." Blumenthal previously called on regulators to investigate how Google tracks users of Android phones.

In its ruling, the EU said Google broke the rules by requiring cellphone makers to take a bundle of Google apps if they wanted any at all.

The bundle contains 11 apps, including YouTube, Maps and Gmail, but regulators focused on three that had the biggest market share: Google Search, Chrome and the company's app store, called Play Store.

The EU gave Google 90 days to come up with remedies that could allow rival search apps and

browsers onto more phones. Failure to comply risks a further penalty of up to \$15 million a day.

The EU also took issue with Google's payments to wireless carriers and phone makers to exclusively pre-install the Google Search app.

It ruled, too, that Google broke the law by forcing manufacturers that took its apps to commit to not selling devices that use altered versions of Android.

EU Competition Commissioner Margrethe Vestager said that given the size of the company, the 4.34 billion euro fine is not disproportionate.

The penalty is on top of a 2.42 billion euro fine (\$2.8 billion) that regulators imposed on Google a year ago for favoring its shopping listings in search results.

Google's parent company, Alphabet, made \$9.4 billion in profit in the first three months of the year and has over \$100 billion in cash reserves.

"The important thing is not to be distracted by the size of the fine. What is important is that Google has to change its abusive behavior," said Rich Stables, CEO of the rival search engine Kelkoo.

Android is an open-source operating system that Google lets cellphone makers use for free. As a result, it is the most widely used system, beating Apple's iOS.

The EU wants to ensure that phone makers are free to pre-install apps of their choosing. It also wants cellphone makers to be able to more easily use altered versions of Android, like Amazon's Fire OS.

Google argues that letting phone makers choose their apps could hurt the company's main means of making money through Android — advertising and the sale of content and apps. Apple, in contrast, makes most of its money from the sale of devices.

Giving phone makers more freedom to use altered versions of Android could also hurt Google. Samsung, a hugely popular maker of Android phones, could, for example, break off and take much of the Android system with it. Samsung had no immediate comment.

Daniel Castro, vice president of the Information Technology and Innovation Foundation, a think tank in Washington, said the ruling "is a blow to innovative, open-source business models."

The main complainant against Google was FairSearch, a Brussels-based lobbying group that has been backed by Oracle, TripAdvisor and Nokia. It called the ruling "an important step in disciplining Google's abusive behavior."

European regulators have set the pace in shaping rules for the tech industry.

The EU has clashed repeatedly with Microsoft over the years, fining it over its bundling practices and its promotion of its Internet Explorer browser.

In 2016, the EU ruled that Apple was getting preferential treatment from the Irish government and demanded it pay \$15 billion in back taxes. The EU has also tangled with Amazon and Intel.

European regulators have likewise taken a harder line on data privacy. After the scandal this spring

involving the misuse of Facebook users' personal data during the U.S. presidential election and other campaigns, the EU began enforcing tougher new rules.

The Google crackdown comes at a sensitive time for trans-Atlantic relations, with President Donald Trump lambasting the EU as a "foe" only last week. The U.S. imposed tariffs on EU steel and aluminum this year, and the EU responded with duties on American goods.

"We have to protect consumers and competition to make sure consumers get the best of fair competition," Vestager said. "We will continue to do it, no matter the political context."

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