Statement of Kyle Andeer
Apple Inc.

U.S. Senate Judiciary Committee
Subcommittee on Competition Policy, Antitrust, and Consumer Rights

Hearing on "Antitrust Applied: Examining Competition in App Stores"

April 21, 2021

Chairwoman Klobuchar, Ranking Member Lee, and Members of the Subcommittee, my name is Kyle Andeer, and I am Apple's Chief Compliance Officer and Vice President of Corporate Law. I appreciate the opportunity to offer testimony about Apple's App Store.

Some of you may have an iPhone with you right now—I hope that's the case because we believe our products deliver the best possible customer experience. We know that you have a lot of choices in the marketplace, and we know that we need to earn our relationship with you. To do that, we work constantly to innovate, focused always on your privacy and security.

The App Store is one of our most important innovations. It is a critical feature of iPhone, which combines the benefits of software applications and the security of a curated experience. The App Store provides customers access to nearly two million apps, allowing you to hail a ride, order dinner, monitor your health, play a game, listen to music, communicate with business associates, and so much more—all from your iPhone.

Amazing as that is for customers, I think the App Store's real success is the opportunity it has created for software developers to build and distribute all of those apps in the first place. Today, an entrepreneur with a great idea can use the App Store to build an app and instantly reach customers across the entire world—all from her home.

It's easy to take that for granted—but it wasn't always this way. When we introduced the App Store in 2008, creating software was difficult and expensive. Developers had to pay for the tools they needed to build and test their products; then they had to distribute those products, either over the Internet (which had trust and security issues) or through physical disks (which required costly shelf space in brick-and-mortar stores). It's little wonder that options were fairly limited and expensive back then.

The App Store changed all of that. It truly revolutionized software distribution.

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First, we strive to make the App Store a safe and trusted marketplace in which customers can discover a great variety of curated options. That idea of curation is important to us—in part because it's important to your privacy and security. Your iPhone is not just a phone—it contains some of your most sensitive information—photos of your kids, financial and health information, the controls to your home security system, and sensitive communications between business

associates. Because of that, bad actors from around the world try to infiltrate devices using malware—it's like a Trojan horse that tries to get into your phone and wreak havoc.

We won't tolerate that. We review every app in the App Store to make sure it meets standards for privacy, safety, security, and performance. Each week, we review about 100,000 submissions, and we reject about 40% of them because they don't meet those standards. And we know that our approach works: studies show that iPhone has far fewer malware infections than other devices. Alternatives like side-loading would render the strong privacy and data security protections we offer customers moot, and given all of the threats to data these days, we don't think that makes sense.

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Second, we have invested significantly to improve the iOS ecosystem, including by providing developers the tools they need to build apps. That includes machine learning, cloud storage, testing software, and over 250,000 application programming interfaces that unlock the magic of iPhone. Because of that, a developer can build an app that lets you deposit a check by taking a picture of it with iPhone's camera, log into an app using Face or Touch ID, play a game or listen to music with iPhone's audio and video technologies, or provide navigation using GPS. Apple built those (and so many other) capabilities into iPhone, and now developers—including many that compete with Apple—can leverage them for their apps.

So the App Store isn't just a store. It's like a studio stocked with canvasses, brushes, and paint—the tools artists need to create their works—*and* it's a gallery where they can display and sell their creations. And *that* is how the App Store empowers *everyone* to build apps, from elementary school kids to small businesses—not just the big guys.

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Third, the App Store is a great value for developers. We do not charge for shelf space in the App Store. Instead, we charge a commission in one situation—where a developer acquires a customer *in* the App Store and sells a digital good that is used *on* the iPhone. As a result, the developer keeps 100% of the money she makes for the vast majority of apps on the App Store (about 85% of them). The commission charged to other developers initially was set at 30%, which flipped the economics of software distribution in the developer's favor. Thirty percent is a very competitive rate in very competitive markets, and it is a far cry from the rates charged for software distribution when the App Store was launched.

Since then, we have always lowered that commission; we've never raised it or added fees. Today, the commission for most developers who are required to pay one is just 15%. Last year, as many small businesses were struggling during the pandemic, and storefronts were closing around the country, we launched a Small Business Program, which cut the commission for developers making less than $1 million per year in the App Store. Many small businesses pay no commission at all, and those who do now pay less.

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We're proud of the store we've built, the experiences it has provided for customers, and the opportunities it has created for developers. Entirely new industries have been born, creating millions of jobs and billions of dollars in economic activity across all 50 states.

It's the sort of thing that is possible when competition is fierce and fair. Apple, after all, was started by tinkerers and dreamers, and we became successful over time because we had an opportunity to compete. We were in a street fight back then, and we still are today. And we like it that way because we know that competition spurs innovation and, with it, more and better choices for customers. We will continue to compete, to innovate, and to create. We will also look for ways to allow everyone, from the tinkerer in her garage to the developer in the coffee shop, to use our technologies to create something amazing.

That is why we are pleased to be part of this important discussion about competition. Thank you for the opportunity to participate today. I am happy to answer any questions.

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