



Department for  
Digital, Culture,  
Media & Sport

Chris Philp MP  
Minister for Tech and the Digital  
Economy  
4th Floor  
100 Parliament Street  
London SW1A 2BQ

E: [enquiries@dcms.gov.uk](mailto:enquiries@dcms.gov.uk)

[www.gov.uk/dcms](http://www.gov.uk/dcms)

The Rt Hon. the Baroness Stowell of Beeston MBE  
Chair, Communications and Digital Committee  
House of Lords  
London  
SW1A 0PW

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Dear Lady Stowell,

Thank you for your letter dated 23 February regarding my attendance at your Committee's session on the Digital Markets Unit (DMU).

As you raised in your letter and at February's session, urgent action in digital markets is needed to address the dominance of a small number of very powerful tech firms. Today we are publishing the response to our consultation, which draws on extensive engagement with a wide range of stakeholders.

The new regime will be far reaching, addressing a wide range of harms across multiple markets and sectors. We want to ensure the DMU has the right tools and powers to positively transform digital markets, so that they deliver the best possible outcomes for UK consumers. You raised important points in your letter, which I wanted to address separately below.

### Digital regulation legislation

- You rightly highlighted the importance of joining up across the digital regulation landscape. Last year we set out a new Digital Regulation Plan, which will help guide our approach to regulation and make sure new digital regulation is effective, coherent and coordinated.
- The new pro-competition regime is a key part of this plan, and we will continue to work closely across government and regulators to ensure that the regime fits into the regulatory landscape effectively with no inconsistencies or gaps.

### DMU enforcement

- You raised the importance of the DMU having significant and robust fines and penalties to effectively enforce the regime. The focus of our regime will be on resolving concerns through constructive engagement with firms, without the need for formal investigations.
- When formal enforcement is required, significant fines of up to 10% of global turnover, along with an additional 5% of daily turnover each day the offence continues, will be the primary enforcement mechanism.
- The DMU will also be able to issue monetary fines to named senior managers who fail to ensure that their firm complies with requests for information, and apply for court orders where appropriate.



## **Funding the DMU**

- You said the DMU must be well resourced to take effective action, and we agree. We are proposing Exchequer funding paired with partial cost recovery through a new levy on Strategic Market Status firms. This will ensure smooth and predictable resourcing for the regime, and provide consistency with other regimes and offer the best value for money.

## **DMU workforce**

- You asked the Department to work with the Treasury to ensure the DMU can attract and retain talented staff.
- At Spending Review 2021, the government agreed to provide the CMA with an additional £20 million by 2024-25 to roll out the DMU and support other CMA functions.
- The CMA has also invested heavily in building knowledge and skills to ensure it can successfully promote competition in digital markets, for example through the establishment of its Data Technology and Analytics unit.

## **CMA's use of existing powers**

- You highlighted, and we agree, that the CMA should be doing all it can to take action to address current harms in digital markets.
- The CMA has launched a number of market studies and investigations under the Competition Act, such as their investigation into Apple's App Store, and Google and Meta's practices in online advertising, and their live market study into mobile ecosystems.
- The CMA continues to scrutinise mergers by big tech firms, launching an investigation into the recent Microsoft/Nuance Communications merger, and ordering Meta to sell Giphy following an investigation.


## **CMA leadership**

- You rightly emphasised the importance of strong leadership to drive forward this work. A recruitment campaign to replace Lord Tyrie is in the advanced stages. Applications closed on 18 January this year, and a new Chair will be announced in the coming months.
- The process for appointing a new Chief Executive is underway and will be set out in due course.

Thank you for your support and interest in this important area. Today we will also be sharing with you a copy of the government's response to our consultation. This response provides greater detail on our plans for the regime.

I am copying this letter to my colleague Lord Parkinson, the Minister for Arts.

With best wishes,



Chris Philp MP  
**Minister for Tech and the Digital Economy**