



Department for  
Digital, Culture  
Media & Sport



Department for  
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The Rt Hon. the Baroness Stowell of Beeston MBE  
Chair, Communications and Digital Committee  
House of Lords  
London  
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Dear Lady Stowell,

## **Government response to Consultation: A New Pro-Competition Regime for Digital Markets**

Today, the government is publishing the response to the consultation on *A New Pro-Competition Regime for Digital Markets*. As we build back better from the pandemic and level up opportunities throughout the UK, unlocking the growth potential of digital markets has never been more important or urgent.

As the House of Lords Communications and Digital Committee has acknowledged in multiple reports, digital technologies make an enormous contribution to the UK economy<sup>1</sup> and are positively transforming our daily lives. However, weak competition in digital markets is stifling growth and imposing unnecessarily high costs on British businesses and consumers. That's why this government has committed to establishing a new regime for these markets which will boost competition, drive innovation, and protect the people and businesses which rely on these firms.

The consultation response sets out the key elements of the plan to establish the Digital Markets Unit (DMU) and the government's proposals for the regime in further detail, including:

- **The set-up of the DMU last year, which was a major milestone in delivering the regime.** We set out the design of the regime in our public consultation<sup>2</sup> which closed on 1 October 2021. There is strong support for the regime and a clear urgency amongst respondents for it to be delivered quickly.
- **The new pro-competition regime will be overseen and enforced by the Digital Markets Unit (DMU), housed within the Competition and Markets Authority (CMA).** The regime's core objective will be to promote competition in digital markets for the benefit of consumers, lowering prices and increasing transparency and fairness. The DMU will work closely with other regulators through a statutory duty to consult them where proportionate and relevant.

<sup>1</sup> DCMS (2020). [Sectors Economic Estimates 2019 \(provisional\) Gross Value Added](#).

<sup>2</sup> DCMS/BEIS (2021). [A new pro-competition regime for digital markets](#).

- **A small number of the most powerful firms with entrenched and substantial market power will be designated by the CMA as having Strategic Market Status and will fall within scope of the regime.**
- **Once designated, firms will be subject to binding conduct requirements to manage the effects of their market power by shaping their behaviour and rebalancing the power between big tech and those who rely on them.**
- **The DMU will also proactively tackle the root cause of market power by making targeted and proportionate pro-competitive interventions.**
- **To ensure the regime's effectiveness, the DMU will have robust enforcement powers.** This includes the ability to impose financial penalties of up to 10% of a firm's global turnover for breaches to apply to the court to disqualify individuals from holding directorship roles in the UK. The costs of the regime will be partially recouped by levy funding.
- **Finally, designated firms will also be subject to new merger reporting requirements, ensuring greater transparency over their impacts on competition.**

2022 is a landmark year for shaping the rules that govern digital technologies around the world and the UK is at the forefront of this, driving forward groundbreaking work, including on online safety, digital competition, data protection, and cyber security. Our outcomes-focused and proportionate regulatory approach will be tailored to maximise benefits to the UK economy, and is aligned with the BEIS-led 'Reforming Consumer and Competition Policy' consultation, the [response](#) to which was published on 20 April 2022.

We ask for your support and welcome the opportunity to discuss this important agenda with you further, including once Parliament returns next week.

Copies of the consultation response will be placed in the Libraries of both Houses, and it can also be found on [Gov.uk](#).

Yours sincerely,

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