

be busy to make money, but if we're losing money on every table, pretty soon, we won't be able to pay our bills, and we'll go out of business. But the punchline also neatly describes the business promise of delivery mega platforms like Uber Eats and DoorDash. They say to restaurants, you'll lose money on every order, but you'll make it up on volume.

Erin Wade:

But they aren't joking. Delivery platforms are draining restaurants of profits, which used to filter back to local workers and communities. They're using the scale of their merge networks to force us, independently-owned businesses, to face an untenable choice, sign on, and die slowly, or shun the platform and get buried now. They're forcing small businesses into a kind of tenancy, and they're doing it in a predatory way that has gone unchecked. Delivery platforms aren't behaving like services, because that isn't what they are. They are digital networks. When they merge and gobble up local or more customer-oriented delivery services as they are, their power doesn't just double or triple. It increases as an exponential factor of the users added. It seems like they want to insert themselves in as many food service transactions as they can, to become to restaurants what Amazon is to retail.

Erin Wade:

This will gut what has been a diverse and profitable industry of small capitalists and replace them with corporate chains, ghost kitchens, and robotics. If a restaurant signs up for a delivery app, they're charged four or five, even 10 times their profit margin per order. What was the already too high, 15% per order in 2015 became 30% when Uber Eats got in the game. They swear the sales they generate will make it to the bottom line at a lower marginal cost. But in fact, the opposite is true. Unless you're set up to sell takeout, it is more expensive. So, delivery apps end up trapping restaurants in a payday loan scenario. We can't afford to lose the short term infusion of cash, even though the high cost of it is unsustainable.

Erin Wade:

How have these platforms managed to sell such a hoax? Well, they underprice delivery to the consumer, which has inflated a bubble of unsustainable demand for takeout and delivery, and they use network effects and unchecked consolidation of those networks to bully restaurants into cooperating. If a restaurant like mine tries not to sign up or chooses not to sign up, they pirate our menus and logos and sell our food without asking, almost like ticket scalping. They buy AdWords and keywords and present themselves as the internet version of us. Platforms spend billions on digital marketing, gaming SEO, and using their traffic to bury small companies' own website rank on search engines. We can't fight back because we have to make money or we go out of business. These companies don't seem to have to make a profit.

Erin Wade:

Then, they bundle orders so badly it damages customer relations. This cow successful restaurants who care about customers into signing up, but that means that they're contributing their customers to the network and having them sold back to them at a higher marginal cost. For new restaurants, especially, it's becoming impossible to opt out of working with these big guys. Over the past decade, customers have become increasingly walled off in hyper individualized data streams and preference bubbles. Startups sign up with predatory platforms because the platforms are like these vast food courts where all the customers are.

Erin Wade:

told that they can remove their student data from the sale. Also, students really don't have a choice whether to use ed tech in school, so when you're thinking of mergers, please consider the massive amount of sensitive and predictive student data that these companies acquire.

Cheri Kiesecker:

One recent ed tech acquisition has impacted millions of students, including my own kids. Naviance was acquired by PowerSchool in March of '21, and parents and students weren't notified of the acquisition. For background, Naviance and PowerSchool are owned by a private equity firm called Vista Equity

Cheri Kiesecker:

95%, more than 95% of all videos that showed up in Google after that day against July 14th were YouTube videos only.

Rand Fishkin:

Google essentially used their monopoly power in search to make sure that their YouTube acquisition became the dominant power in video. They have done much the same thing with Google Maps, essentially preventing and pushing out hundreds of companies, including clients of my previous business and current one, folks that I've advised, folks that I've invested in, from appearing in any local search results and forcing the Google Maps listing to be the results.

Rand Fishkin:

I think this also touches on what Erin said about restaurants, which I think is tragic and frustrating. So, it's my hope that both the FTC and the DOJ will consider reigning in and applying some of the, I think,

Bradley Tusk:

people. Our stores have always run in the black, but often hovered very close to red ink. And it is that piece of barely surviving that I wanted to talk to you about today.

Gayle

Greg Caron:

Clearly the company is using its power over our schedules to squeeze out more profits for Wall Street and it's near majority owner, Deutsche Telekom. I've also seen evidence T-Mobile has stopped investing in US jobs. When I call another department these days, it's more likely than not that I will get a agent offshore in the Philippines or elsewhere. I also see fewer job openings than I've used to, and I've been told that the company has frozen hiring at US call centers.

Greg Caron:

And what about the company's commitment to open five call centers in rural America, an announcement made just before John ledger spoke to Congress about the deal in 2019. That promise seems to have been forgotten when Ledger parachuted out of the company. The company is now only opening three call centers. Meanwhile, from its annual reports, we know the company has cut more than 5,000 jobs since the merger. What the workers in the industry need is for companies to be accountable for their promises. Right now, if a company or executive makes a promise about job, consumer benefits, et cetera, to get a merger to be approved, and then they don't follow through on what they promised there aren't any real consequences. Companies must put their promises in writing and the promises must be enforceable. If we don't enforce the promises they make to get their merger approved, mergers will only continue to benefit executives and shareholders and hurt employees and consumers. Thank you.

Speaker 1:

Thank you, Greg. Now I'm going to turn over to [inaudible 00:42:46]

Lina Khan:

Thanks so much, Jonathan, and thanks so much to all of our speakers for sharing your views and perspectives on this critical topic, and thanks as well to the DOJ and FTC teams for putting together today's events and the prior listening forums. They've all just been really terrific.

Lina Khan:

I think, as we've heard today, several digital platforms today now increasingly control key arteries of commerce and communications in our country and have increasingly become critical for navigating every day life. These platforms can connect huge segments of customers and businesses, but I think as we've heard a lack of competition in these markets, coupled with a lack of robust checks on how these firms can use their dominance can enable potentially anti-competitive practices, undermining entrepreneurship and innovation while depriving users of choice.

Lina Khan:

We've also seen how dominant platforms and apps can increasingly serve as key gatekeepers in gateways for finding products, for finding restaurants, home services, healthcare, and a whole host of other services, which means that the choice that this relatively small number of platforms and apps are making can effectively determine whether a business sinks or survives in the digital economy. I think the continuing digitization of the economy as AEG Cantor mentioned right at the beginning means that the top, the issues that we're already seeing only risk becoming more acute, and so I think this is a particularly relevant and instructive set of topics.

Lina Khan:

Just a few reactions based on some of the comments that we heard today. I think we oftentimes hear about the many ways that these platforms and intermediaries can really open up access to markets for businesses, expanding the set of customers that firms can access. But I think from what we heard today, really underscores how the imbalance and power between platforms and the businesses that depend on them can also enable potentially harmful business practices. We heard from Ms. Johnson, Ms Shanks and Ms. Wade, that these major platforms have become essential pathways to connect with customers, but that this role has also given these firms significant if not complete control over the terms of access

I think we've seen throughout history, how, especially in these high tech markets, businesses that are in slightly adjacent markets are providing slightly distinct services, can oftentimes be the ones that are best positioned to provide an important source of competition and dislodge the incumbent. Which means that antitrust enforcers need to be especially attuned to this dynamic and really learn some of the lessons from the past decade, around not having overly optimistic views of how likely entry might be, as well as understanding the important role of data and consolidated control of data in inhibiting entry. So I think, keeping our tools sensitive and attuned to the very real world experiences that all of our participants have shared today, is going to be essential for us to preserving markets where business can compete on the merits and allow entrepreneurship and innovation to flourish and users to benefit. So thanks so much again to all of the participants today, we really benefited from everything that you shared with us.

Jonathan Kanter:

Thank you, Chair Khan for those observations. I'll share a few of my own and then we'll open it up for our public speakers. Each time we've conducted one of these sessions, I've just been extraordinarily impressed and overwhelmed by the sophistication, the attentiveness of our speakers. It reminds me that the people who often have the greatest input and the most important input are the folks who are most directly affected by concentration. And in preparing these sessions and hearing from our speakers today, it's reaffirmed that view, which is that we must make sure that we are giving ourselves an opportunity to hear from those who are most directly affected. And I'll give some examples of things that jumped out thematically.

Jonathan Kanter:

Erin talked about platforms that induce participation by promising benefits to those who participate, but those promises often go unfulfilled and then participants in the platform find themselves locked in. The ability of platforms to absorb losses, either through money losing strategies, cross subsidization or long term shareholder maximization. And there's an interesting, fascinating remark from Erin about market characteristics that make big, bigger, and small, smaller. And so, again, competition isn't about picking winners and losers, it's about rivalry. But if markets are going to work for everybody and in all places throughout the country, we need the opportunity, not just for the big companies to succeed, but for companies of all sizes to have access to markets so that they can compete with the benefits of their quality, their service, their innovations, and their offerings to community.

Jonathan Kanter:

Sherry provided a remarkable reminder that when we're talking for example about products that impact students, we need to hear from parents about the impact. And she discussed how the accumulation of data from students is an extraordinary concern. And this data becomes, and scale of data, becomes a driving force behind consolidation. It risks even greater exposure for students as markets concentrate through mergers. Ram Fishkin talked about his technology background and the significant risk of intermediaries capturing internet traffic, and concerns about self-preferencing.

Jonathan Kanter:

Bradley, talked about how tech is ubiquitous, but not all tech companies are the same. And that the connection between concentration among technology companies and VC and investments in entrepreneurs, and how the bigger companies become and the harder they become to unseat, the less investment we're going to see in competing technologies. And it wasn't from somebody who, as Bradley

said, is concerned about technology as a category, it's from someone who wants to see more investment and wants to see investment grow, but that problems, if they go unaddressed, will compound.

Jonathan Kanter:

Sutter, talked about the importance of diversity of viewpoints in the distribution of news and ideas, and how concentration in technology markets can harden in certain types of positions in corporate media. And, that as content policies often implemented by code and robots will risk limiting the flow of information in a democratic society, and without necessarily the same regard for the importance of news. And that lock-in, data collection and ads, as motivating factors, lead to click bait; attention metrics that often do not align with the flow of accurate, valuable information and informed citizenry.

Jonathan Kanter:

Gail talked eloquently about challenges of local bookstores and independent bookstores who are just more than retailers of books. They're pillars of a community that provide opportunity for growth beyond the walls of their own stores, and how book stores are important to an educated citizenry and critical to our local communities and our nation's wellbeing. Jasmine talked about the unequal playing field for small business and platforms that cater to the largest companies, but not to small businesses, and the lack of options and choice for small businesses to find platforms that provide better services and better costs. And how the more dependent these small businesses become on platforms, the more opportunity the platforms have to extract fees, and that she likened, in a very colorful way, platforms to casinos asking small businesses to gamble when the odds are stacked against them.

Jonathan Kanter:

And finally, Greg talked about the impact of consolidation on the real world ability of workers to realize wages that keep up with higher costs of living, and lack of investment and domestic job opportunities, creating an abduction of output in new labor opportunities. And, related to that, the lack of follow through and promises to maintain local jobs and to invest in local communities, which impacts the competitiveness of local markets. So with that, we're going to move to the public portion of our session, but I just wanted to also thank the speakers for their courage and eloquence in coming forward and sharing their views. And so with that, I'm going to turn the mike over to Peter Kaplan. Who's going to facilitate our public speakers portion at the meeting. Peter, feel free to take it away.

Peter Kaplan:

Okay. Thank you assistant Attorney General Kanter. Before we begin, I want to remind our next speakers that the FTC is recording this event, which may be maintained, used, and disclosed to the extent authorized or required by applicable law, regulation or order. And it may be made available in whole or in part in the public record in accordance with the commission's rules. Each speaker will be given two minutes to address Chair Khan and Assistant Attorney General Kanter.

Peter Kaplan:

And with that, our first speaker is Louis Ray. Louis? Louis, I think you're muted. Okay. It looks like Louis is

Thank you very much. I run a public policy research institute here in the San Francisco Bay Area that also covers Silicon Valley. And maybe equally to the point, I support an organization called BASIC, the Bay Area Science Innovation Consortium, made up of the research universities here and a lot of the laboratories that produce life science, as well as tech basic research. And I think what I'm going to say is going to go probably against the grain of what's been said so far, at least some of the introductory remarks. So acknowledging that there are real issues around competition to be discussed around big tech, we have a lot of concern with the idea that's been put out in a number of places and in the Congress of course, that restrictions should be placed on the ability of the larger tech platforms to acquire smaller ones through antitrust. The concern is the impact of that on venture investment and on the startups that this is actually designed to benefit and ultimately on innovation.

Sean Randolph:

So I work with a lot of venture firms in Silicon Valley and this is what I'm hearing from them, that

keep users clicking so that advertisers keep buying their ads? They permit and promote content that preys on people's worst unfounded fears, including hateful and false disinformation about Muslims and people of color. And because Alphabet has been able to grow a YouTube's platform to roughly two billion users, such hateful content is able to reach people in over a hundred countries around the world daily.

Munira Lokhandwala:

There are unfortunately many examples of how disinformation on YouTube leads to real world violence toward Muslims. March 15th, 2022, marks two years since a white supremacist killed more than 50 worshipers at two Mosque's in Christchurch, New Zealand. Multiple reports have found that the shooter was inspired by watching right wing videos on YouTube. The government of New Zealand itself concluded that YouTube was a significant source of disinformation and incitement for the attack, through their own reporting. How many more of these attacks will occur as a result of Alphabet's refusal to take seriously the impact of hateful content on

technology. There are countless examples of organizers and activists, women campaigns to ban facial recognition, automated license plate reader, shot spotter. And yet Amazon has essentially figured out a way to provide a workaround for the police to access a privately run surveillance network, without having to abide by any of the laws or public scrutiny that would normally apply and protect our basic rights. And with the integration of Alexa into Ring, this merger allow Amazon to essentially turn their consumer base into a citizen's police force.

Peter Kaplan:

Thank you, Chris. Thanks. Our next speaker is Dylan Gyauch-Lewis, Dylan?

Dylan Gyauch-Lewis:

Hi. Can you

Krisztian Katona:

Thank you. And thank you to the FTC and DOJ, and Chair Khan, and AAG Kanter, for organizing this listening forum, and also for the opportunity to participate. I'm Krisztian Katona, Vice President of Global Competition and Regulatory Policy at the Computer and Communications Industry Association, or CCIA, in Washington, DC.

Krisztian Katona:

CCIA is an international, not-

Jeff Farrah:

Company failure is the most common outcome, but the success stories are often hyper growth companies with a big impact. Many entrepreneurs begin the company building process with the hope of creating a standalone public company. However, in most cases, an IPO is not possible. And the preferred exit opportunity becomes an acquisition by another company, with 58% of startups expecting to be acquired.

Jeff Farrah:

Ultimately, approximately 10 times as many startups are acquired as complete an IPO. The data demonstrates that this acquisition activity is no more common today, than it has been in the past two decades. And we strongly encourage policy makers not to be driven by anecdotal evidence.

Jeff Farrah: exit aS4T[(\$)] regularly go on to fund new i54 BMC194.00 G[(\$x)3(t])ure is

These acquisitions contribute to the health of the startup ecosystem, as entrepreneurs who realize liquidity through the sale of their company regularly go on to fund new innovative companies, and often invest in other startups as angel investors or BCS.

Jeff Farrah:

Furthermore, acquisitions help power the returns of venture funds, thereby allowing BCS to raise new funds and invest in the next generation of entrepreneurs. This is commonly referred to as the recycling

Charlotte Slaiman:

It is essential that enforcers take account of the special characteristics of digital platform markets when

The way that racist hate speech and disinformation spreads on Meta's platforms is in part due to their massive, massive scale of their reach. The centralization of their products makes it effectively impossible for people to participate in society without using their platforms. Speaking from a personal experience, I don't even think I would know what my mom was doing if I wasn't on Facebook. And that's a little bit concerning to me.

Jelani Davi:

Currently, consumers have no choice and deserve better from these tools that are serving as critical public infrastructure, but are governed privately, and too often evading regulation. So I'm here to just urge the FTC to use regulatory powers, intervene on mergers and acquisitions that give one company so much power to do harm to its users, consumers, constituents, and ultimately, just people like we are here. Thank you.

Peter Kaplan:

Thank you, Jelani. Our next speaker is Bryce Arnold. I'm sorry. No, forgive me. Our next speaker is Alex Goodwin. Sorry about that. Alex?

Alex Goodwin:

Thanks, Peter. Good afternoon, all. Good afternoon, Chair Khan and Assistant Attorney General Kanter. Thank you, for this opportunity to participate in public comment. My name is Alex Goodwin, and I am an organizer in Chicago, where my work focuses on the relationship between Wall Street and policing, and surveillance.

Alex Goodwin:

Today, I'm going to talk about the audio surveillance company, ShotSpotter. ShotSpotter microphones are deployed in Black, Brown, and poor neighborhoods in 120 cities around the country, and collect sounds to alert police to possible crimes. ShotSpotter boast a 97% accuracy rate, but research is found that the accuracy rate is flawed because ShotSpotter technology cannot tell the difference between gunshots and other loud sounds such as fireworks.

Alex Goodwin:

This puts marginalized communities at risk for violent and harmful interactions with police, who believe they're entering a hostile situation. When in fact, only one in 10 ShotSpotter alerts turns up evidence of a gun being present. ShotSpotter alerts have led to police killings of young people, people being falsely accused and charged with crimes, inflated statistics about gun crimes, and contributes to illegal [inaudible 01:23:17] risk.

Alex Goodwin:

ShotSpotter has dodged accountability because of its size and is now expanding into predictive policing and data analytics, using the same flawed data. It has acquired three companies to support its expansion. Despite the bad data it collects, ShotSpotter is overwhelmingly the dominant player in audio surveillance, and is leveraging that to expand into other areas of policing and shaping police behavior around its product.

Alex Goodwin:

ShotSpotter's expansion relies on contracts with cities and federal agencies. It is eligible for grant dollars and has held contracts with the DOJ and DHS. In addition to this, ShotSpotter has encouraged local law enforcement to use American Rescue Plan dollars, to acquire it.

Alex Goodwin:

Because it's not Big Tech, ShotSpotter has been able to fly under the radar, and grow its influence and profits and surveillance, under the guise for supporting public safety. I encourage the FTC to monitor and regulate ShotSpotter as it continues to amass power over police technology and influencing policing more broadly, despite the harm that it creates. Thank you, for your time. And I can provide [inaudible 01:24:20] testimony with more information, if that would help.

Peter Kaplan:

Thank you, Alex. Our next speaker now, is Bryce Arnold. Bryce? Sorry about the hold up.

Bryce Arnold:

No problem. Thank you. My name is Bryce Arnold, and I have worked at Activision Blizzard for two years. My skills and experience as a researcher in the design department for Activision, are quite specialized in the video game industry. Understanding design trends, what keeps audiences entertained, and the languages, are highly sought after.

Bryce Arnold:

You could have a candidate, a job candidate with five years of experience or five years of research experience at Google, and a job candidate with five years of experience at a small game company, and the candidate with gaming experience would be preferred.

Bryce Arnold:

Given the ongoing consolidation in the video game industry, there are fewer potential employers for my specialized skills. Video game workers already face many problems in our jobs, that are made worse by employers having even more power. We're consistently paid less, despite having the same job title and level of experience as workers in other tech industries. My coworkers and I have been organizing to make Activision Blizzard a better workplace.

Bryce Arnold:

Hundreds of us walked out last year to do protests, sexual harassment and gender discrimination. Now we're working to form a union, to have competitive benefits, and competitive pay benefits and equity, at least on par with other technology companies. And with Microsoft and pending takeover of Activision Blizzard, workers face a lot of uncertainty.

Bryce Arnold:

Thank you, Bryce. Our next speaker is Roxana Marachi. Roxana? Roxana?

Roxana Marachi:

Thank you.

Peter Kaplan:

Good.

Roxana Marachi:

Hi, thank you. I'm going to put my video off because I have a choppy connection, but I'd like to still speak.

Peter Kaplan:

Okay.

Roxana Marachi:

Thank you. And thank you, for the opportunity to speak. My name is Dr. Roxana Marachi. I'm a Professor of Education at San José State University, where I research student data privacy, and the need for stronger systemic privacy protections. I'm also the past Education Chair of the California Hawaii State

I've co-

