14 April 2023

Apple Pty Limited

**Submission to the Digital Platform Services Inquiry
(March 2023 Issues Paper)**

The ACCC has invited submissions from interested stakeholders on the matters raised in the Issues Paper for the forthcoming Digital Platform Services Inquiry (**DPSI**) September 2023 report on the expanding ecosystems of digital platform service providers (**Issues Paper**).

Apple welcomes the opportunity to provide this submission as part of the ACCC's public consultation. In this submission, Apple aims to share observations that are critical to a proper understanding of Apple's business model, and the market forces that drive competition and innovation in the sectors canvassed in the Issues Paper (in particular, for smart home devices and consumer cloud storage services).

1. Apple is first and foremost a device company

1. Apple is first and foremost a device company. It sells devices that integrate hardware, software, and services. In fact, as of December 2020, more than 80% of Apple's revenues were generated from selling devices, like the iPhone, iPad, and Mac.

2. Apple's overall business model informs its incentives with respect to its products. Apple is incentivised to create a robust ecosystem across Apple devices which includes as many quality apps, and third-party interoperability, as possible. The health and diversity of this ecosystem is critical to Apple's success because it, in turn, drives the sale of our hardware products. Apple therefore has a strong incentive to keep its ecosystem open and to deliver choice and quality to consumers.

3. Apple's entry in smart home devices is comparatively recent in the context of the established presence of Google and Amazon in particular. The position of Apple in the supply of these products is distinguishable from that of the other platforms referred to by the ACCC in the Issues Paper as a focus of this report of the DPSI (namely, Google, Amazon, Meta and Facebook). In particular, unlike other firms and services discussed in the Issues Paper, Apple does **not** sell its customers' personal information to advertisers or anyone else. Apple's ultimate goal is to enhance the appeal of its devices to as many consumers as possible.

4. Further details of Apple's extensive privacy and security protections can be found at https://www.apple.com/au/privacy/.

## 2.   Apple's smart home devices: HomePod, Apple TV and Siri

2.1   Overview

5.   The Issues Paper identifies HomePod, Apple TV and "*other Siri-enabled devices and smart home accessories, such as third party smart light bulbs*" as examples of Apple's "expansion" into smart home devices.

6.   This description of Apple's smart home offerings inaccurately suggests that Apple has "expanded" into this area at the expense or exclusion of third-party developers and smart home device and service suppliers. To the contrary, Apple's smart home offerings - consisting of both software services and hardware products - facilitate new and expanded services from and competition with and between third-party smart home device and service suppliers, as described below. Third-party interoperability enhances the functionality of Apple devices and provide a superior user experience. This in turn increases consumers' desire for Apple devices - which is Apple's core business.

(a)   Using the **Home app** on an Apple device, users can access, remotely, all of their home's smart accessories through the at-home Apple TV, HomePod, or iPad. Third-party device manufacturers are able to integrate their device using the **HomeKit** software development kit (**SDK**) - one of many SDKs and other tools provided by Apple to developers and manufacturers. HomeKit is an Apple proprietary protocol that enables third-party accessories in the home (e.g., lights, thermostats and door locks) and Apple products to communicate with each other.

(b)   **HomePod** is a speaker that adapts to its location and delivers high-fidelity audio. It can also help users with everyday tasks — and control their smart home — with their voice. When the HomePod is plugged in, the user's iOS or iPadOS device will detect it. HomePod is designed to work with a variety of music services, not just Apple Music.

(c)   On **Apple TV**, users can access content they have rented or purchased from Apple or from third-party content providers, and also access content through Apple TV+, Apple TV channels, and connected third-party video apps. The tvOS operating system on Apple TV can also control HomeKit accessories. Through tvOS, the user can access Home scenes and any home cameras that they've set up in the Home app on an iOS, iPadOS, or macOS (running Catalina or later) device signed in with the same Apple ID.

(d)   **Siri** is Apple's voice assistant available on Apple devices. Siri provides access to both Apple, and third-party, services. From Apple devices, Siri can access or provide a link to Apple offerings such as Apple Music, Apple Podcasts, Apple TV, the App Store, the Apple online retail store, Activity and Health. Users are also able to direct Siri to access other apps or services including Spotify, Netflix, Amazon, Audible and others. Apple offers developers the option of integrating their apps with Siri via **SiriKit**, another example of an SDK made available by Apple to third-parties. Siri runs on iOS, iPadOS, watchOS, tvOS, and macOS operating systems.

(e)   Third-party smart home accessory manufacturers are also able to enable **Siri** in their products through **HomeKit**. This functionality relies on a connection to the user's HomePod or HomePod Mini to ensure robust protections to user privacy and security, while enabling users to control third-party smart home accessories with Siri voice commands.

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2.2   Interoperability within, and between, smart home device ecosystems

7.   The Issues Paper raises questions as to the interoperability of smart home devices with other services *within* a digital platforms' ecosystem. Third-party integration requires mutual work on both sides. Integration involves technical and business collaboration among multiple parties. The development of additional consumer smart home devices (or "internet of things" (**IoT**) services) is important both for developers, and for Apple, to ensure optimal user experience.

8.   In this regard, Apple has developed its own connected home frameworks that enable third-party smart devices to work with its software operating systems, as noted above. Apple provides a number of tools of services (including SDKs) to developers and third-party device manufacturers to integrate their products within Home app, and to enable Siri functionality.

9.   As shown below, the interoperability of devices - both Apple and third-party - is the basis on which the Home app, and Apple products more generally, are built, as well the consumer benefits and convenience that Apple products provide consumers:
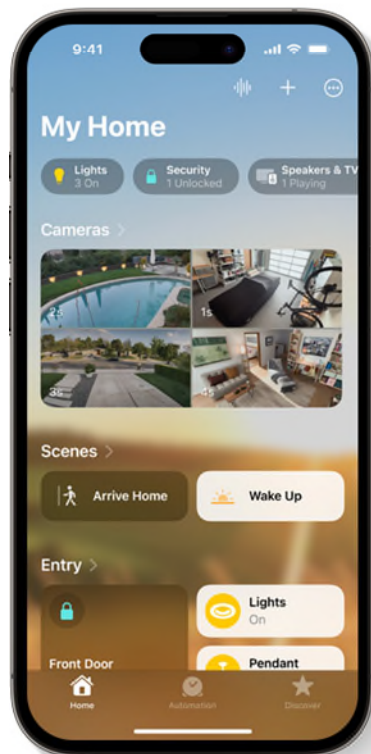
New categories like Lights and Security are at the top of the Home tab, giving you instant access to accessories and their status.

View up to four cameras at once to quickly make sure each room is just as you left it.

Colour-coordinated icons help you find the accessories you're looking for.

Rooms and Favourite Accessories are grouped in the Home tab, so you can easily view and control your smart devices.

10.   Apple makes HomeKit and SiriKit available to developers to integrate their new services and devices at their discretion. To set up a HomeKit accessory to work with the Home app, the user taps the accessory or scans the HomeKit setup code found on the accessory or in its instructions, and the accessory will pair with the iOS or iPadOS device.

11.   In 2016, Apple introduced SiriKit to allow developers to enable users to interact with their apps via Siri. In 2018, Apple introduced Siri Shortcuts, extending the ability to integrate with Siri to any app in the App Store. In 2021, Apple extended Siri functionality to third-party devices via a user's HomePod or HomePod mini. Also in 2021, Apple updated the Find My app to allow third-party products to use the private and secure finding capabilities of Apple's Find My

network, which comprises hundreds of millions of Apple devices, to enable third-parties to develop and market products allowing users to locate and keep track of the important items in their lives.

12.   Apple has invested in the development of SiriKit to make it easy for developers to integrate their apps with, and make them available via, Siri. Apps adopt SiriKit by building an extension that communicates with Siri, even when their app isn't running. The extension registers with specific domains and intents that it can handle. Siri handles all of the interaction, including the voice and natural language recognition, and works with your extension to get information and handle requests. Developers that to date have integrated their services with Siri via SiriKit include Pandora,[1] Spotify,[2] and Overcast.[3] Apple also continues to invest in the development of SiriKit, adding additional support for Siri domains based on user demand.

13.   Whether through Siri or through the Home app, users can control the HomeKit-enabled accessories, including Air Conditioners, Air Purifiers, Bridges, Cameras, Doorbells, Fans, Faucets, Garage Doors, Humidifiers, Lights, Locks, Outlets, Receivers, Routers, Security Sensors, Speakers, Sprinklers, Switches, Thermostats, TVs, and Windows. Over 100 brands worldwide are committed to providing accessories that are compatible with the HomeKit framework.

14.   It is also relevant to consider the extent to which smart home devices interoperate as *between* different platforms, and the procompetitive effects that Apple's, and others', efforts have had in this regard.

15.   Apple participates with other companies in a wide variety of open source software (**OSS**) projects, to serve various goals including the promotion of interoperability, competition, and the acceleration of technological development. Examples of OSS projects in which Apple participates that relate to consumer IoT services, smart devices, and voice assistants include the WebKit open source project, which provides core internet technologies, in particular, a browser engine that is used in Apple products and software and supports public internet protocols and web platform features. Other OSS projects in which Apple participates include the Kubernetes, Cassandra, and Hadoop projects, which provide back-end infrastructure software that supports IoT services provided on Apple's smart devices, including voice assistance.

16.   In the smart home space, in late 2019, Apple, Amazon, Google, Samsung and the Zigbee Alliance announced the formation of the working group "Project Connected Home over IP" – now known as **Matter** –guided by the not-for-profit Connectivity Standards Alliance (of which Apple is a member).[4]

17.   Matter aims to provide a unified, open-source, secure, adaptable and certified smart home interoperability standard, and to define a specific set of IP-based networking technologies for device certification. Matter is built around a shared belief that smart home devices should be secure, reliable and seamless to use.

18.   The Matter standard is now integrated into every major smart home platform, including Amazon Alexa, Apple Home, Google Home, and Samsung SmartThings, which means that smart home devices no longer have to be certified individually for each platform - thereby increasing interoperability, and switching (including multi-homing) between different smart home interfaces.   Matter is not a new protocol; but rather, a specification for how devices should talk to each other. It runs over existing protocols: Thread for low-power, low-bandwidth devices such as light bulbs and sensors, and Wi-Fi or ethernet for higher bandwidth devices like streaming media players and cameras.[5]

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[1] https://blog.pandora.com/us/pandora-mobile-app-for-ios-13-introduces-dark-mode-and-seamless-integration-with-siri/
[2] https://apps.apple.com/gb/app/spotify-new-music-and-podcasts/id324684580
[3] https://apps.apple.com/us/app/overcast/id888422857
[4] https://matter.com.au/
[5] https://www.theverge.com/22832127/matter-smart-home-products-thread-wifi-explainer

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19.   Matter combines industry collaboration from platform operators like Apple, Google, and Amazon, as well as major manufacturers such as Samsung and LG to smaller, accessory-focused players like Nanoleaf, Eve, and TP-Link.

20.   Matter launched on iOS in October 2022, and Matter-certified products have been available in Australia since that time.

21.   Although, as the Issues Paper notes, smart home devices connect "*or otherwise interrelate with other digital platform services, such as…smartphone devices*", the launch of Matter means that, for example, a Google device with Matter can be used in multiple smart home ecosystems - including the Apple Home app - at the same time.[6] Similarly, through the Google Home app on the iOS App Store, iPhone users are able to set up, manage and control devices within the Google ecosystem (such as a Google Nest, Chromecast and other devices).

22.   Standards play an important role in enabling interoperability, safety, product functionality. Apple believes that standardisation should be a voluntary, consensus and industry driven process, where standards are developed only where there are identified needs, agreement on how to address them, and predictability with respect to the cost of future implementation.

23.   The Issues Paper raises a concern (at page 6) with "[p]*re-installation arrangements and default setting[s], where an agreement between two parties allows for a product or service to be pre-installed or set as a default on another product or service*".

24.   Apple products and services put the user in control. There are services pre-set in the relevant products to provide a high-quality, seamless user experience right out of the box, such as Google web search in Siri, but the user has the ability to choose other services that are made available quickly and easily. A user can search Bing by telling Siri to "search Bing" or do the same with another search engine, for example.

25.   Additionally, for Apple TV, the user can easily choose to download any of the tvOS apps available on the App Store, including third-party apps, to appear on the home screen of the user's Apple TV device. Through AirPlay, users can also share third-party content from their Apple device to display or play on Apple TV or HomePod.

26.   Although the Home app is pre-installed on iOS devices, users are able to remove the Home app with three taps (and to re-install the app from the App Store at any time). Likewise, users do not need to register an account to use Siri, and they are able to download and use third-party voice assistants, such as Google Assistant and Alexa.

2.3   Privacy and security are core Apple values - and are built-in to Apple products, including smart home devices

27.   Apple agrees with the ACCC's observation (at page 7 of the Issues Paper) that "[a]*s large digital platforms expand their ecosystems of digital platform services into new products, sectors or technologies, they may also have increased opportunities to accumulate and utilise the personal data of Australian consumers*".

28.   Protecting users' privacy is one of Apple's core values - and privacy at home is more important than ever. For this reason, Apple remains scrupulously careful when providing access to new technologies to ensure that it protects user privacy and security.

29.   Apple designed the Home app so that user data is stored in a way that Apple cannot read it. Users' accessories (including third-party devices) are controlled by their Apple devices instead of the cloud, and communication is encrypted end-to-end. This means that only the user and the people they choose can access their Home app data - not Apple, or the third-party device manufacturer.[7] Keeping as much data and processing on the user's device as possible both

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[6] See further https://developer.apple.com/apple-home/matter/
[7] https://www.apple.com/home-app/

enhances privacy and puts the user in control of their data. Data are also encrypted in transit between the Apple device and the HomeKit accessories in the home, even when controlling accessories from a remote location. Developers that use HomeKit are restricted to using any data they receive solely for home configuration or automation services.

30.   Siri is likewise designed with privacy and security in mind. Siri (or any other Apple product) does **not** use data to build a marketing profile or sell the personal information of Apple users. Apple also does **not** share any personal information with third-parties for marketing purposes. Siri uses local, on-device processing to learn how users use their devices and apps in order to personalise their experience. For example, Siri can suggest shortcuts and provide suggestions in searches, using information stored in users' devices, such as Safari browsing history and information contributed by other installed apps.

31.   If a user has enabled dictation in Siri, the things said and dictated are sent to Apple to process the requests. If users have Location Services turned on, the location of their device at the time they make a request will also be sent to Apple to help Siri improve the accuracy of its response to their requests. The requests are associated with a random identifier, not a particular Apple ID. This random identifier is not linked to an Apple ID, email address, or other data Apple may have from a user's use of other Apple services. Siri settings will sync across a user's Apple devices using end-to-end encryption if the user uses iCloud. The user can turn off dictation at any time and can delete dictation history associated with the random identifier by going to Settings > Siri & Search > Siri History and tapping "Delete Siri & Dictation History."

32.   To execute a user's request, Siri may share the portion of the user's request with the third-party that's necessary to accomplish the request. For example, if the user has enabled location services and the user directs Siri to retrieve the weather at the user's location from a specific third-party weather service (e.g., through a Siri shortcut), Siri will share the user's request and location with the third-party service in order to complete the user's task. The information collected and shared is not associated with the user's identity.

33.   Apple's approach to data collection contrasts with that of other digital platform businesses the ACCC has identified in the Issues Paper - including reports of one platform that "*has admitted that it doesn't always delete the stored data that it obtains through voice interactions with the company's* [smart home] *devices — even after a user chooses to wipe the audio files from their account*".[8]

34.   For HomePod, users' data is also in their control. Users can navigate HomePod's privacy settings in the Home app. For example, users can turn off or on Location Services and Improve Siri & Dictation. Apple's general policies on Location Services & Privacy and Siri and Dictation apply across its devices.

35.   Apple services and products are designed to minimise the data received by Apple. In cases where Apple does receive user data, it does so for the purpose of fulfilling the user's requests or improving or personalising the services provided to the user. However, even in this instance, personal data is either not logged at all, is subject to privacy preserving techniques such as differential privacy, or is removed from reports before they are sent to Apple. Data sent to Apple via consumer use of its devices and services is stored on secure Apple servers.

36.   For Siri dictation or other data sent to Apple servers, there are a variety of privacy protections that Apple employs to protect the data depending on the scenario. These include end-to-end encryption and rotating identifiers to mask a user's identity.

37.   Apple's strict data practices apply uniformly irrespective of the platform on which the user accesses Apple services. If a user chooses to interact with a third-party service, the user does

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[8] See eg *Amazon confirms it holds on to Alexa data even if you delete audio files / 'The American people deserve to understand how their personal data is being used'* https://www.theverge.com/2019/7/3/20681423/amazon-alexa-echo-chris-coons-data-transcripts-recording-privacy

so subject to the third-party's data practices. Apple does not sell user personal information data collected via Siri.

3.   iCloud, iCloud+ and related services

3.1   Overview

38.   **iCloud** is the free cloud storage service from Apple that securely stores photos, files, notes, passwords and other data in the cloud and keeps it up to date across a user's devices automatically. iCloud also makes it easy to share photos, files, notes and more with friends and family. Users can also back up their iPhone, iPad or iPod touch using iCloud.

39.   iCloud includes a free email account and 5 GB of free storage for users' data.

40.   **iCloud+** is Apple's premium, paid cloud subscription service that provides more iCloud storage for photos and files, plus additional features including Private Relay, Hide My Email and HomeKit Secure Video support. Apple offers three plans for iCloud+ at the following prices:

iCloud+ 50GB	iCloud+ 200GB	iCloud+ 2TB
A$1.49/month	A$4.49/month	A$14.99/month

3.2   Transparency of pricing and subscription cancellation

41.   The Issues Paper asks stakeholders to comment on the transparency of pricing of consumer cloud storage services.[9]

42.   Apple's iCloud+ plans, and terms and conditions, are published on Apple's website in a clear and transparent manner, and are made available to consumers before, and at the time of, purchase. Once a user has subscribed to an iCloud+ plan, storage and other included features will be available immediately.

43.   Users are able to upgrade or downgrade from one paid plan to another, in which case Apple will cancel their existing plan and charge the pro rata cost (the cost of the new plan minus the pro rata cost of the previous plan) for the first month of the new plan.

44.   Apple publishes support articles on its website to help users with any billing and subscription enquiries, including to enable users to cancel a subscription at any time. Users can cancel an Apple subscription (including iCloud+) on iPhone or iPad in the following five steps:

(a)   Open the Settings app

(b)   Tap your name

(c)   Tap Subscriptions

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[9] See Issues Paper Q23.

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      (d)   Tap the subscription

      (e)   Tap Cancel Subscription. You may need to scroll down to find the Cancel Subscription button. If there is no Cancel button or you see an expiration message in red text, the subscription has already been cancelled.

45.   iCloud+ plans can also be downgraded or cancelled from within the iCloud page on the iPhone or iPad Settings app, System Preferences on a Mac, or iCloud for Windows application.[10] Users are able to continue accessing their current iCloud+ plan after cancellation or downgrading until the end of their current subscription billing period.

46.   All data stored in iCloud is encrypted, and with two-factor authentication, user accounts can only be accessed using devices they know and trust. Apple offers users different options to encrypt and protect their data stored on iCloud, including optional Advanced Data Protection for iCloud that offers Apple's highest level of cloud data security.[11]

47.   A related feature is **Sign in with Apple**, a fast, easy and more private way for users to sign in to participating third-party apps and websites using their existing Apple ID login details. Apple built and designed Sign in with Apple from the ground up to respect users' privacy, and to help users keep in control of their personal information.

48.   If a participating third-party app or website asks users to provide their name and email address, Sign in with Apple automatically fills in the information from the user's Apple ID. Using Apple's **Hide My Email** service, users can keep their personal email address private and hidden from third-party apps, websites and more. Hide My Email is built in to Sign in with Apple and iCloud+.

49.   Hide My Email generates unique, random email addresses that automatically forward messages to users' personal inbox. Each randomised address is unique to a particular user, who can read and respond directly to emails sent to these addresses while their personal email address is always kept private.

50.   Apple **does not** read or process any of the content in the email messages that pass through Hide My Email, except to perform standard spam filtering required to maintain Apple's status as a trusted email provider. All email messages are deleted from Apple's relay servers after they are delivered to users, usually within seconds.
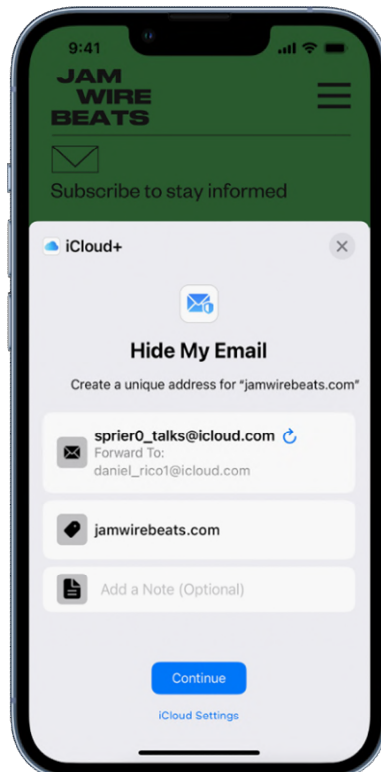
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[10] https://support.apple.com/en-au/HT207594
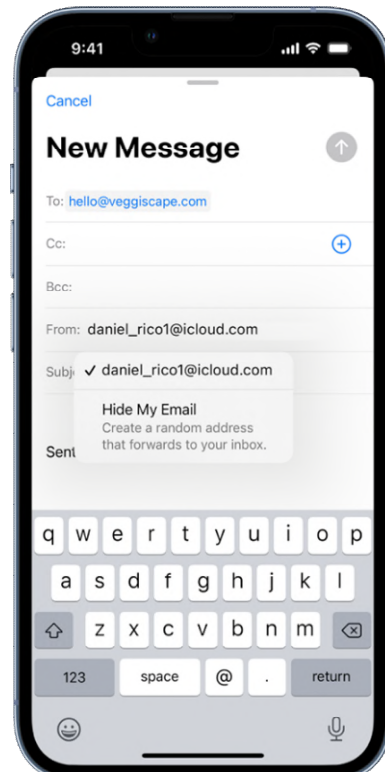[11] See further https://support.apple.com/en-au/HT202303

51.   Hide My Email is an optional feature available to users during the Sign in with Apple configuration process:
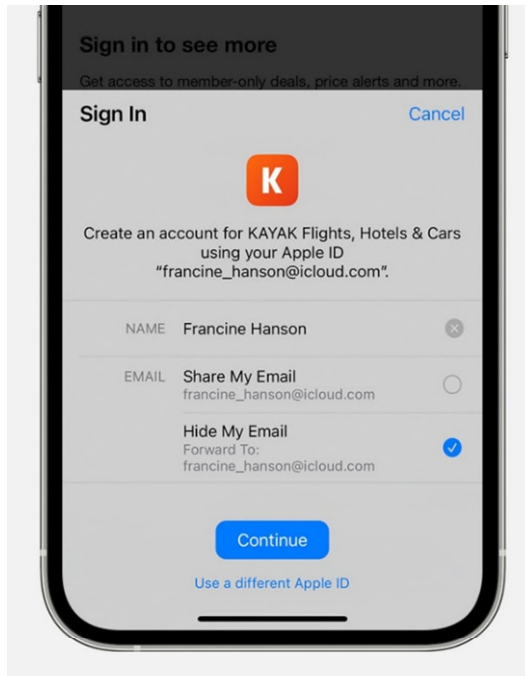
52.   Hide My Email is also available in Safari, Mail and other supporting apps wherever email addresses are required (even when Sign in with Apple is not used):[12]

Hide My Email in Safari on iPhone   **Hide My Email in Mail on iPhone**

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[12] See further https://support.apple.com/en-au/guide/iphone/iphcb02e76f7/ios

3.3 Ease of switching, and no "default" settings, on iCloud and related services

53.   The ACCC raises a concern in the Issues Paper (at page 7) that "*while some consumers may switch to an alternative platform or services, there may be switching costs involved that can contribute to consumer lock-in. Switching can also be limited by factors controlled or influenced by digital platforms*". These factors, according to the ACCC, include "*the use of dark patterns that discourages consumers from switching, such as those that make it difficult to cancel subscriptions*".

54.   Apple provides an easy and secure means for iCloud users to transfer a copy of their stored data to another cloud store provider in just four steps:

  (a)   sign in with Apple ID at privacy.apple.com, and complete two-factor authentication;

  (b)   select *Request to transfer a copy of your data*;

  (c)   to start the transfer, sign in with incoming provider login details (for example, sign in to Google Account to transfer to Google Photos); and

  (d)   to finish the request, follow the on-screen instructions.

55.   The transfer process takes between three and seven days, so that Apple can appropriately verify that the request was made by the user, and to make the transfer.

56.   Third-party cloud storage providers also offer a number of resources to facilitate consumer switching and data migration from one provider to another. There are also a number of third-party migration tools for consumer and business / enterprise - including free services - to further assist users.

57.   In relation to the use of default settings, iCloud is not a "default" setting on Apple products. The choice to use iCloud is entirely the user's. To set up iCloud, users simply sign in to their device with an Apple ID, then choose which apps they want to use with iCloud and which iCloud features they want to turn on or off. Users do not need to use iCloud, or sign up to an iCloud+ plan, in order to use the many apps which offer iCloud support (including Photos, Mail, Notes, Messages, Health, Contacts, Calendar, Safari, Wallet, or others).

58.   Again, Sign in with Apple is not a "default" setting on iOS. It is an optional service provided by Apple to help protect consumers' vulnerability to unwanted access to their personal information.

4.   Competitive dynamics - and pro-competitive effects of ecosystem expansion

59.   In this section, Apple provides observations on the competitive dynamics in the supply of smart home devices and consumer cloud storage services - and the pro-competitive effects that expanding ecosystems can have in these and other digital platform service markets.

4.1   Relevant markets are vigorously competitive

60.   The voice assistant space is highly dynamic and competitive, featuring entry and expansion of offerings from Amazon, Google, Samsung and Microsoft, as well as from players such as Sonos Voice Assistant, Nuance Virtual Assistant, Mycroft, SILVIA and Braina, which demonstrates that barriers to entry are low. According to Insider Intelligence, "[i]*n 2022, Google continues to lead in number of voice assistant users, likely due to sales growth of*

> *Google Home, Nest Home, and Android devices. Amazon will be a close second*".[13] Insider Intelligence has also observed that:[14]
>
> (a)   "*voice assistant users are likely to use more than one type of voice assistant since they are all interoperable across devices*";
>
> (b)   an estimated "*27.1% of US internet users and 24.2% of the total* [US] *population will use Google Assistant*" in 2023; and
>
> (c)   "*growth in Alexa users will mirror the slower growth seen in Amazon's Echo smart speakers. We estimate that 21.2% of the* [US] *population will use Alexa this year, reaching 22.1% by 2024*".

61.   Demand for voice assistant features is likely to spur more intense competition. One estimate suggests that voice assistant-enabled devices will increase from 2.5 billion in 2018 to roughly 8 billion by 2023.[15]

62.   In addition, artificial intelligence (**AI**) chat bots are another form of virtual assistant which are poised to revolutionise the smart home and virtual assistant sector. Apple provides tools and services to allow users to embrace and integrate these innovations with their Apple devices. For example, Apple introduced Shortcuts in iOS 12 as a way for users to create custom automation and commands for different tasks. Using the Shortcuts app, users are able to create, or download a third-party, shortcut that integrates ChatGPT with Siri by allowing users to say "Hey Siri, ChatGPT" (or any other voice command chosen by the user), followed by text to be run through the ChatGPT AI chat bot.[16]

63.   Likewise, the supply of smart home devices (in particular, smart speakers) is vigorously competitive, as Apple has experienced with HomePod:

   (a)   Apple announced the HomePod wireless speaker in 2017, and launched the first-generation HomePod in 2018. Apple Fellow, Phil Schiller, described the HomePod as "*a magical new music experience from Apple. It brings advanced audio technologies like beam-forming tweeters, a high-excursion woofer and automatic spatial awareness, together with the entire Apple Music catalogue and the latest Siri intelligence, in a simple, beautiful design that is so much fun to use*".

   (b)   At the time of HomePod's launch in 2018, smart speakers developed by Amazon (Amazon Echo, launched in 2014) and Google (Google Nest, formerly Google Home, launched in 2016) were already well-established as the dominant products. An analysis by Consumer Intelligence Research Partners for the June 2021 quarter found that "[s]*ince 2017 Amazon has maintained a dominant share of the installed base of devices, with over two-thirds of smart speakers in US homes. Google has about one-quarter, and Apple and Facebook have the remaining small share*".[17]

   (c)   Apple discontinued the first-generation HomePod in around March 2021, and has recently launched the second-generation HomePod in January 2023.

   (d)   Apple also launched the HomePod Mini in November 2020, as an 'entry-level' alternative to the larger HomePod speaker, and to maximise consumers' options for a home hub - HomePod, HomePod Mini, iPad or Apple TV - to control HomeKit and Matter accessories (including through Siri integration for third-party devices).

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[13] https://www.insiderintelligence.com/content/how-big-voice-assistant-market
[14] Ibid.
[15] https://techcrunch.com/2019/02/12/report-voice-assistants-in-use-to-triple-to-8-billion-by-2023/
[16] See https://www.techradar.com/how-to/how-to-use-chatgpt-with-siri
[17] https://www.documentcloud.org/documents/22060666-cirp-news-release-2021-08-04-smart-speakers-1

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64.   As the ACCC notes (at page 12 of the Issues Paper), a number of third-parties are active in the supply of consumer cloud storage services, including Dropbox, pCloud, Sync.com, MEGA and IDrive - as well as offerings from Alphabet (Google Drive) and Microsoft (OneDrive).

65.   Apple's more recent entry in this space has exerted a pro-competitive constraint on the established suppliers, and has lead to greater competition between ecosystems by improving a platform for consumers. Apple's focus on privacy also offers customers a differentiated offering for those who do not like the data collection practices of Apple's competitors.

66.   Importantly, in relation to voice assistant services in smart home devices, Apple is not marketing and has not marketed Siri as an independent service - unlike for example Amazon's Alexa assistant. Instead, Apple remains focused on harnessing the integration of its hardware and software to enhance the user's experience while also protecting the user's privacy and security. Apple **does not** license its voice assistant to third-parties for the purpose of collecting user data. Apple does not monetise Siri (including data). That is not a market in which Apple is active, and is contrary to Apple's core privacy and security beliefs.

67.   The Issues Paper raises a concern with self-preferencing behaviours, which the ACCC defines as "*where a platform gives preferential treatment to its own products and services when they compete with products and services provided by third parties using the platform*".[18]

68.   Apple's business model, which focuses on the sale of devices, means that Apple has no incentive to foreclose third-party services; for example, third-party apps on the App Store like Spotify, Netflix and others. The availability of a wide variety of high-quality third-party apps in the App Store adds value to, and increases the desirability of, Apple devices. Apple has no reason to undermine apps which contribute to that dynamic, even in circumstances where those apps compete with Apple's own apps.

69.   Third-party apps have enjoyed large-scale success in the App Store, compete with Apple's apps across every category, and, in many cases, have a greater popularity than Apple's own apps. For example:

   (a)   Spotify has twice as many paid subscribers as Apple Music does worldwide.[19]

   (b)   Google Maps and Waze have been downloaded by Apple users hundreds of millions of times globally over the past five years.[20]

   (c)   Snapchat and WhatsApp were among the most frequently downloaded iOS apps globally in 2022.[21]

   (d)   Mail competes with dozens of other mail apps on the App Store, many of which are free to download, including Gmail, Spark, Yahoo Mail, and Canary.

4.2   Apple is focused on organic growth and does not engage in "killer acquisitions"

70.   The Issues Paper identifies acquisitions as an example of the "strategies" used by Apple (as well as other providers) to "expand their reach in Australia". Concerns have been raised in other jurisdictions (in the context of merger control) with so-called "killer acquisitions", whereby

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[18] Issues Paper p 6.
[19] See "How many users do Spotify, Apple Music and other big music streaming services have?", *MusicAlly* (19 February 2020), https://musically.com/2020/02/19/spotify-apple-how-many-users-big-music-streaming-services/.
[20] Kyle Andeer, Responses to Questions for the Record from the Honorable David N. Cicilline, U.S. House of Representatives - Subcommittee on Antitrust, Commercial and Administrative Law of the Committee on the Judiciary (16 July 2019) , https://docs.house.gov/meetings/JU/JU05/20190716/109793/HHRG-116-JU05-20190716-SD036.pdf at p. 7..
[21] https://www.businessofapps.com/data/most-popular-apps/

an acquiring firm's strategy is "*to discontinue the development of the targets' innovation projects and pre-empt future competition*".[22]

71.   These concerns are unfounded insofar as Apple is concerned. Apple has not "expanded its reach in Australia" (or globally) through acquisitions. Apple has invested significant resources in its internal resource and development capability to continually innovate and develop new products for our customers - the success of which have driven organic growth for Apple over time.

72.   Where Apple has made investments to partner with (or in limited cases, to acquire) complementary businesses, it has done so with the aim of acquiring technology and talent to improve Apple products.[23] Measured by value, Apple's acquisitions are far more restrained than those of many of its main rivals.[24]

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[22] OECD p 9 https://www.oecd.org/daf/competition/start-ups-killer-acquisitions-and-merger-control-2020.pdf

[23] Examples of Apple's global acquisitions include PrimeSense, an Israeli 3D sensing company whose technology contributed to Apple's FaceID; Apple's Siri, for instance, started as a government project developed by the United States Defense Department that was spun off into the private sector; artificial intelligence companies working with voice and facial recognition, virtual assistance, natural language processing and machine learning to enhance accessibility and other features on Apple products; and firms in the health-care space: Gliimpse (health data), Beddit (sleep tracking) and Tueo Health (asthma monitoring), to enhance health tracking features on Apple Watch in particular.

[24] By way of illustration, Apple's ten largest purchases put together would still be worth far less than the acquisitions, for example, by Microsoft of LinkedIn (US$26bn), Amazon of Whole Foods (US$13.7bn) or Facebook for WhatsApp (US$19bn). The total value of all acquisitions up to 2020 (according to the US House Judiciary Committee) made by Apple was less than half those of Amazon, around one third of Facebook's, and around one quarter of those made by Google. Further, Apple's first acquisition occurred around 12 years after the company was founded. By contrast, Amazon's first known acquisition occurred in 1998, four years after company was founded; Google's two year after it was founded; and Facebook one year after its incorporation. See further: https://www.bbc.com/news/business-56178792; https://www.washingtonpost.com/technology/interactive/2021/amazon-apple-facebook-google-acquisitions/.