

The French Autorité de la concurrence and the German Bundeskartellamt launch a joint project on algorithms

Published on June 19, 2018

The French Autorité de la concurrence and the German Bundeskartellamt launch a joint project on algorithms and their implications on competition.

Algorithms, sources of opportunities but also of various competitive risks

Coming along with digitalization, algorithms are becoming more and more important and at the same time progressively sophisticated. Prominent applications include real-time functionalities within digital services, for instance for matching and ranking purposes, as well as dynamic price setting. The increasing use of algorithms by companies is an issue of considerable debate as regards their effects on the competitive functioning of markets and to a wider extent on society. In light of this debate, the Bundeskartellamt and the Autorité de la concurrence have decided to launch a joint project. It will mainly aim at analyzing the challenges raised by algorithms and at identifying conceptual approaches to meet them. At the end of the project, the authorities are going to publish a joint working paper.

Isabelle de Silva, President of the Autorité de la concurrence, and Andreas Mundt, President of the Bundeskartellamt: *"Algorithms provide many opportunities for the economy, for example facilitating innovative services, reducing search costs as well as inventory optimization. They may nevertheless carry adverse effects on competition. In the context of strategic interactions, they might facilitate collusion and assist in the implementation of cartels. Furthermore, there might be interdependencies between algorithms and the market power of the companies that*

make use of them. This can lead to additional barriers to market entry."

In certain areas, the use of algorithms may also reduce the need for human interaction. In particular, high degrees of automatization and related machine-to-machine communication may pose new questions for competition authorities.

A joint project to improve the understanding of algorithms

During the coming months, the authorities are going to deal with these issues, developing a typology of algorithms and studying their potential anti-competitive effects. They will also assess algorithms' detection and examination.

In the joint paper on "Competition Law and Data" which the Bundeskartellamt and the Autorité de la concurrence published on 10 May 2016, they already touched on some issues related to algorithms. The joint project is going to take up this analytical framework and look further, aiming at a deeper understanding of algorithms.

According to Isabelle de Silva, President of the Autorité de la concurrence and Andreas Mundt, President of the Bundeskartellamt: *"This initiative is another example of the close cooperation and relations between our two institutions. It also illustrates that we strive, as competition enforcers, to provide appropriate answers to economic concerns of paramount importance for companies, authorities and citizens alike".*