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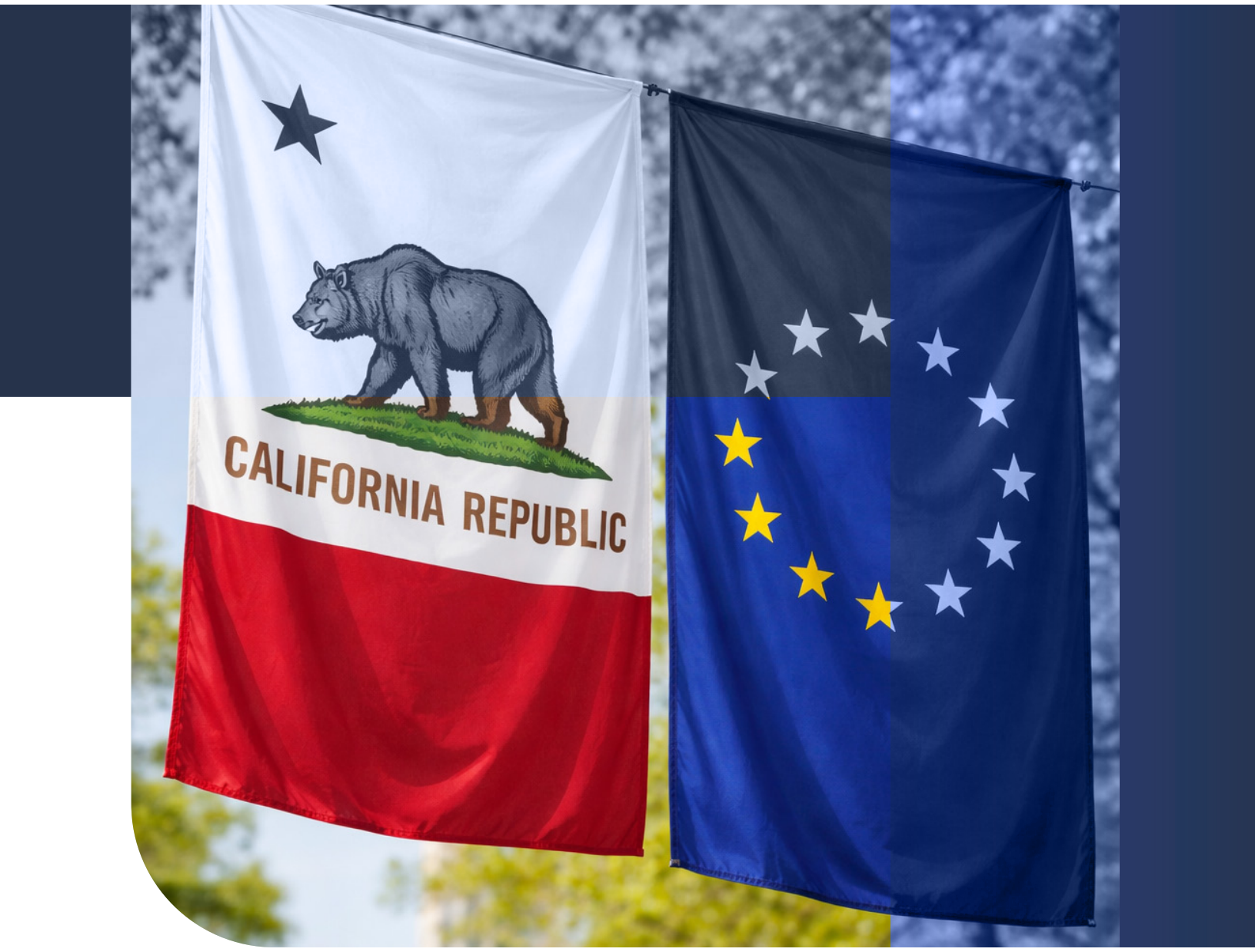
April 2026



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CCIA Research Center White Paper

DMA Impacts Suggest California's Proposed SB 1074 BASED Act Will Be a Costly Failure

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Executive Summary

California's SB 1074, known as the Blocking Anticompetitive Self-preferencing by Entrenched Dominant platforms (BASED) Act, would import the European Union's Digital Markets Act (DMA) framework into state law at the precise moment when two years of real-world evidence demonstrate that this regulatory model imposes billions of dollars in compliance costs, degrades the digital services consumers and businesses depend on, and fails to deliver measurable competitive or consumer benefits. What can the European Union's experience with the DMA teach California about the expected impacts of implementing a statewide law inspired by the DMA?

In short, the EU's DMA has cost designated "gatekeeper" companies roughly $1 billion per year in direct compliance, which is 100 times the European Commission's original estimate, while delivering mostly negative outcomes for consumers and business users.

The Costs of the DMA: In surveys, European consumers report that online services have become less convenient, harder to use, and lower-quality after DMA implementation. 59% of European consumers not only indicate a desire for a return to pre-DMA digital services, but are willing to pay an average of about $300 per year per person to restore two key features lost as a result of the DMA; this implies an EU consumer welfare loss of over $70 billion from DMA implementation. European business users of digital services report that they lost traffic after DMA implementation, and needed to pay more for other online intermediaries' services to replace the traffic lost due to the DMA.

The Benefits of the DMA: Two years into enforcement, alternative app stores have attracted fewer than 3% of EU iPhone users, and messaging interoperability connects only two obscure third-party services. Choice screens for browsers and other services stand out as the clearest consumer "benefits" from the DMA by highlighting to consumers other options that the consumers may not have been aware of, but these choice screens have failed to produce any meaningful market share changes due to consumers' preference for the quality, design, and user experience of their favorite browsers and other digital services.

California's SB 1074 would impose DMA-analogous obligations while adding several additional cost drivers, including a private right of action, treble damages, and class action exposure that could multiply effective compliance costs by 2–5× on a per-user basis, for a population roughly one-eleventh the size of the EU. Ultimately, these litigation-related costs added by CA SB 1074's new additions could exceed the costs of the DMA-analogous sections.

DMA compliance costs >100× more than predicted: $200 million per year per firm, not $1.65 million

The European Commission's 2020 Impact Assessment stated that DMA compliance "costs have been estimated at EUR 1.41 million per year and per platform", which implied a total estimated cost of about €10 million across seven designated gatekeeper companies combined (EC SWD/2020/363 final, paragraph 351). As of April 2026, this would amount to roughly USD$1.65 million per year per platform, and about USD$11.5 million per year in total across seven designated gatekeepers. The European Parliament Research Service acknowledged that the Impact Assessment's cost analysis was "in many aspects a qualitative exercise," purportedly owing to "a lack of reliable data" (EPRS Initial Appraisal, PE 662.641, May 2021). However, estimates and indicators of actual DMA compliance cost data are now available, and they have dwarfed the European Commission's projection by orders of magnitude.

DMA Compliance Costs by Designated Gatekeeper:

- Meta provides the most granular disclosure of any designated gatekeeper. At the Commission's March 2024 DMA Compliance Workshop (documented by the SCiDA academic research consortium), Meta reported approximately €5 billion in total DMA compliance spending, deploying 11,000 employees and investing roughly 600,000 engineering hours (SCiDA, March 2024).
- Apple created over 600 new APIs and developer tools for its initial DMA compliance (Apple Developer, March 2024) and later disclosed "hundreds of thousands of engineering hours" across "thousands of employees" (Apple spokesperson, April 2025).
- Google assigned approximately 3,000 employees, mostly engineers, for two years to Article 5(2) consent compliance alone (Google consultation response, September 2025). Google's September 2025 consultation response described operational costs as "high and unsustainable," noting over 60 meetings with the Commission, 85+ formal information requests, and 130+ submissions since March 2024.
- Amazon stated its costs were "multiple orders of magnitude beyond" the Commission's €2 million estimate, implying hundreds of millions of euros (Barczentewicz, July 2025).
- Microsoft, ByteDance, and Booking Holdings have not disclosed specific figures.

DMA Compliance cost summary table by designated gatekeeper

Company	Reported Scale	Key Metric	Source
Meta	~€5B total	11,000 engineers; 600,000 engineering hours	SCiDA/DMA Workshop (Mar 2024)
Apple	Not quantified in dollars	"Hundreds of thousands" of engineering hours; 600+ new APIs	Apple spokesperson (Apr 2025); developer.apple.com (Jan 2024)
Google (Alphabet)	Not quantified in dollars	3,000 engineers on Art. 5(2) alone for 2 years	Google consultation response (Sep 2025)
Amazon	"Multiple orders of magnitude" above €2M	Overall compliance costs	DMA Workshop (2025), via Barczentewicz

Third-party DMA compliance cost estimates converge at over $1 billion per year, with DMA impacts on business users orders of magnitude larger

Numerous independent quantitative estimates of DMA compliance costs have estimated aggregate DMA compliance costs at over $1 billion per year across all U.S.-based designated gatekeeper companies; several have estimated other DMA cost categories such revenue losses and one-time fixed costs that dwarf these annual compliance cost estimates. Relevant examples include:

- The LAMA Economic Research study (July 2025) estimated ~$1 billion per year from DMA specifically across all U.S.-based designated gatekeepers, within a broader $2.2 billion annual compliance burden from all EU digital regulations (CCIA Research Center, July 2025). The study also projected billions of dollars in annual potential fines and penalties, as well as billions of dollars in annual revenue losses resulting from EU digital regulations, of which the DMA was the most noteworthy component.
- The CSIS/Nextrade Group study (November 2022) projected $22–50 billion in combined DMA and DSA compliance and operational costs, a figure that includes fine exposure and opportunity costs well beyond direct compliance.

Studies analyzing the impact of the DMA on business users and downstream business impacts have found much larger impact:

- The Cennamo et al. study (Copenhagen Business School/LMU Munich, June 2025) estimated up to €114 billion per year in downstream EU business revenue losses from DMA effects, and this measures economic impact on businesses utilizing digital services, not designated gatekeeper compliance costs (Digital Markets Competition Forum, June 2025).
- An Oxera study (2021) estimated DMA could reduce EU ICT sector R&D by up to €3.4 billion per year, extrapolating from a behavioral experiment (Oxera, May 2021).

DMA-specific fines imposed through April 2025 total €700 million: Apple (€500 million for purported anti-steering violations under Article 5(4)) and Meta (€200 million for purported "pay or consent" violations under Article 5(2)) (Goodwin Law, June 2025).

Additional DMA non-compliance investigations remain open against Google (search self-preferencing), Apple (app store terms), and Meta (advertising model), and are likely to result in further fines (SCiDA, April 2025).

Relatedly, Google was fined €2.95 billion in September 2025 for purported ad-tech issues under Article 102 TFEU, an EU antitrust action running in parallel to DMA implementation in related areas (Loyens & Loeff, September 2025).

Consumer welfare and Business user impacts of the DMA are overwhelmingly negative

Digital anti-self-preferencing rules in the EU have increased business user costs, not consumers

Google implemented over 20 modifications to EEA search results beginning in January 2024, including dedicated aggregator units highlighting comparison sites, carousel-style rich results for travel queries, and removal of Google Flights from prominent positions (PPC Land, February 2026). The Commission opened a non-compliance investigation in March 2024 and issued preliminary findings in March 2025 that Google continued to treat its own shopping, hotel, and flight results more favorably than rivals.

The empirical picture suggests that DMA compliance at designated gatekeepers has reduced the effectiveness of those services for business users and increased costs for business users when they have to supplement designated gatekeepers with costlier intermediaries' services. Hospitality technology firm Mirai, analyzing 3,450 hotels, reported a 30% drop in clicks to hotel websites and a 36% drop in direct bookings in DMA-affected markets versus non-DMA markets (January–April 2024) (Mirai, May 2024). D-EDGE analysis found a 20% drop in organic traffic to hotel websites and a 32% decline in Free Booking Link revenue, with direct distribution costs rising significantly (D-EDGE, June 2024).

Mirai's follow-up study using Google Analytics 4 data-driven attribution across 3,000+ properties over eight months found a –0.8% net change in overall direct bookings across Europe even after accounting for hotels' efforts to adapt to DMA impacts, implying a reduction in direct business-to-consumers sales and an increase in European hotels' reliance on paid distribution via Online Travel Agencies and other paid distribution approaches, meaning increased costs for hotels (Mirai, October 2024). The strongest observable pattern is a transfer of revenue to a handful of large online travel agencies rather than a broadening of competition to small providers. This is a recurring tension in anti-self-preferencing remedies: removing vertical integration simply redirects traffic and requires business users to spend more on paid services from the next-largest digital intermediary, typically increasing costs for business users.

In terms of consumer impacts of the DMA, surveys of European users of digital services suggest they have been overwhelmingly negative. A Nextrade Group survey of 5,000 Europeans across 20 European countries found six in ten Europeans who use search engines many times a day report having to search up to 50 percent longer than before the DMA, and use more elaborate search terms; and 35% reported worsened map services (CCIA Europe, September 2025). The Nextrade survey found that two-thirds of Europeans now need more clicks or longer searches to find what they need. About 59% of Europeans said they would pay to restore the pre-DMA experience, with a per person willingness to pay among that 59% averaging about $300 per year. Assuming a European digital services-using population of 420 million × 59% × $300 per person per year, this implies a **European consumer welfare loss of over $74 billion per year from DMA implementation.**

A second consumer survey by ECIPE, conducted by Ipsos across seven EU countries, found that a 39% plurality of respondents said routine online tasks had become more cumbersome, and there was no evidence of lower prices, better privacy, or more contestable markets.

Alternative app stores have achieved less than 3% adoption, and reduced app store prices have benefitted developers, not consumers

One much-touted benefit from DMA implementation was increased ease of access to alternative app stores. Apple's iOS 17.4 (March 2024) enabled alternative app marketplaces and sideloading for EU users for the first time. Six alternative marketplaces have launched: AltStore PAL (indie-focused, later made free via Epic Games MegaGrant), Epic Games Store (12% commission, returning Fortnite to iOS), Aptoide, Setapp Mobile (subscription-based, discontinued February 2026), Mobivention (enterprise-focused), and Skich (gaming-focused) (TechCrunch, February 2026). Adoption remains below 3% of EU iPhone users as of Q1 2026 (SQ Magazine).

Another expected benefit of the DMA was reduced commissions on app stores, but the actual market effects have been underwhelming. An Analysis Group study (November 2025) found that developers kept prices unchanged or increased them more than 90% of the time despite reduced commissions, with only ~9% of prices decreasing, which is consistent with normal price variation patterns (Analysis Group, November 2025). Setapp Mobile's discontinuation in February 2026 provides concrete evidence of viability challenges for alternative app stores. Apple reduced its most common effective in-app purchase commission to 20% in the EU (from 30%) in June 2025, a tangible improvement for developers that was generally not passed on to consumers.

Consumer benefits are tiny and niche, such as access to previously unavailable apps like some emulators and torrent clients. Security harms remain plausible, though no documented mass malware incidents from EU alternative stores have occurred yet as of this report's writing.

Browser choice screens produced the clearest measurable gains, but market impact has been de minimis

Apple and Google deployed browser and search engine choice screens in the EU beginning March 2024. Mozilla reported Firefox daily active users on iOS increased 99% in Germany and 111% in France since choice screen deployment (Mozilla, March 2025). Aloha Browser reported 250% growth in EU users in March 2024 alone (PR Newswire, April 2024). Vivaldi and Opera also reported significant EU growth, with Opera noting a 164% surge in new iOS users in the first three days (Opera Newsroom, March 2024). Mozilla's retention data claims users who choose Firefox via the DMA choice screen tend to stay with it.

However, overall market share data implies that most users trying other services due to choice screens returned to their earlier preferred services in short order, and market shares have declined by at most low single digit percentages. Search engine market share has barely moved. Google retained approximately 89% of European search as of late 2025, down from a peak of 93% a few years earlier, although this variation could be consistent with random noise (StatCounter). Historical precedent is sobering: Google's 2020 Android search choice screen in Europe "had virtually no effect on search market share" (Search Engine Land). Most people are

using the service they currently use because of quality factors that choice screens do not change. Choice screens also introduce user choice fatigue risk.

Consumer welfare and business user impacts

DMA Obligation	SB 1074 Analog	Observed Consumer Benefit	Observed Consumer or Business User Harm or Risk
Anti-self-preferencing (Art. 6(5))	§16851(a)(1): merit-based search ranking	More OTA/aggregator visibility, but mostly to next-largest digital intermediary after designated gatekeeper	Longer search times; 30% hotel click drop; 0.8% direct booking decrease even after hotels adapt; increased business user costs as they must use more expensive paid services from the next largest digital intermediary like major OTAs; 59% of European consumers willing to pay an average of $300 per year to restore pre-DMA features, implying over $74 billion in European consumer welfare loss
Alt. app stores/sideloading (Art. 6(4))	§16851(a)(5): third-party downloads	Niche app access; F typical 20% EU commission (developers benefit)	<3% adoption; no price passthrough from developers to consumers; Setapp failure
Browser/search choice (Art. 6(3))	§16851(a)(6): neutral AI/search	Firefox iOS DAU +99–111% in key markets	No meaningful search engine shift; choice fatigue risk
Business user access (Art. 6(5)+(8))	§16851(a)(2)–(3): data use + cost parity	Ranking transparency requirements	62% of users report slower search; complaint-driven enforcement

Translating DMA costs to California SB 1074

Step 1: Per-user DMA compliance cost

Using the most conservative aggregate DMA compliance cost figure of about **$1 billion per year** across five U.S. gatekeepers (LAMA, July 2025), and assuming an EU internet user base of approximately **420 million**, the implied per-user DMA compliance cost is approximately **$2.38 per EU user per year**.

This conservative figure uses direct compliance costs only and excludes downstream economic impacts, fine exposure, and opportunity costs. It also excludes higher estimates from other sources. For example, if Meta's €5 billion figure (from DMA workshop testimony) is used, Meta alone would account for roughly $12 per European user.

Step 2: California user base

California has approximately 39 million residents with 96% household internet access (PPIC/ACS, 2023), yielding roughly 37–38 million internet users. California represents approximately 11.6% of the U.S. population and tends toward above-average platform adoption rates given its demographic and economic profile.

Step 3: Baseline California compliance cost

Applying the DMA per-user cost to California's user base: $2.38 per user per year × 38 million California users ≈ $90 million per year as the baseline before adjusting for SB 1074's stricter enforcement mechanisms.

For a more aggressive national-extension scenario in which companies apply California rules nationwide: $2.38 × 332 million U.S. internet users ≈ $790 million per year in compliance costs.

Step 4: SB 1074 adjustment factors

SB 1074's enforcement architecture differs from the DMA in ways that systematically increase compliance costs and legal exposure:

- **Legal uncertainty premium**: SB 1074 uses novel statutory language untested in courts. The presumption of illegality, absence of a materiality threshold, and lack of regulatory guidance create interpretive uncertainty that demands more conservative (and expensive) compliance postures. CCPA's initial compliance generated an estimated $55 billion in one-time economy-wide costs (California AG/BEAR report, 2019, a figure covering all affected California businesses, not annual recurring costs) partly due to similar legal ambiguity.
- **Litigation risk premium**: The private right of action with mandatory treble damages under the Cartwright Act, combined with California's liberal class action procedures, creates exposure absent from the DMA's public-enforcement-only model. Over **90% of U.S. antitrust litigation is private** (Antitrust Bulletin). SB 1074's Cartwright Act integration would make California a preferred forum for antitrust plaintiffs. Defense costs for simultaneous private lawsuits, class action settlements, and the in terrorem effect of treble damages constitute major cost amplifiers relative to the DMA.
- **Geographic fragmentation premium**: Maintaining California-specific product versions requires geofencing, user-location verification, and parallel development pipelines. Apple already maintains EU-specific iOS builds; a California-specific build adds complexity. However, the Epic v. Apple precedent (9th Cir., December 2025) suggests courts may apply California-law injunctions nationwide, which would eliminate fragmentation costs but extend compliance costs to the full U.S. user base.

Step 5: SB 1074 cost estimate summary

Scenario	Annual Cost (CA-only)	Annual Cost (National extension)	Illustrative Assumptions
Conservative	**$120–160M**	**$1–1.4B**	DMA per-user cost × CA users; 1.2× legal uncertainty; 1.2 × litigation risk ; 1.1× fragmentation
Central	**$200–400M**	**$1.7–3.5B**	DMA per-user cost × users; 1.35× legal uncertainty; 2.0× litigation risk; 1.2× fragmentation

Scenario	Annual Cost (CA-only)	Annual Cost (National extension)	Illustrative Assumptions
Aggressive	**$500M–2.7B**	**$4.4–23.6B**	Higher DMA cost base (Up to Meta-implied per-user cost); 1.5× legal uncertainty; 3.0× litigation risk; 1.3× fragmentation; assumes active plaintiff bar

These estimates cover compliance costs only. Potential damages exposure from successful class actions with treble damages could vastly exceed annual compliance costs in any given year. Under the Cartwright Act, a single successful class action on behalf of California's ~38 million internet users claiming even modest per-user harm ($10–50 in actual damages) could generate $1.1–5.7 billion in treble damage awards, exceeding the entire DMA fine regime's output to date.

Assumptions and caveats

All cost translation figures rest on several assumptions that must be stated explicitly:

- The per-user cost methodology assumes compliance costs scale linearly with users. In practice, significant fixed costs (engineering, legal infrastructure) may make per-user costs higher for smaller jurisdictions. In other words, as California is smaller than the European Union, this cost methodology is conservative.
- The litigation risk premium is the most uncertain adjustment factor. Actual litigation volume will depend on plaintiff bar appetite, early judicial interpretations, and whether courts certify class actions.
- Whether companies would apply SB 1074 rules to California only or nationwide is a consequential variable. CCPA precedent (most companies applied it nationwide) and Epic v. Apple precedent (nationwide injunction from California law) suggest national extension is a real possibility.

What two years of DMA enforcement reveal about SB 1074's prospects

Finding 1: DMA compliance costs are real and significant for targeted digital service providers, who are leading California employers. The gap between the Commission's €10 million estimate and actual costs of approximately $1 billion per year is two orders of magnitude. Per CompTIA: "California is the largest tech employment state with an estimated 1.46 million tech workers in 2025."

Finding 2: Consumer benefits have been modest and niche. After two years, the DMA's clearest consumer win is browser choice screens, which produced short term increases in alternative browser usage in key EU markets (Mozilla, March 2025), but aggregate market share data suggests little lasting change. Every other obligation category shows either negligible adoption (alternative app stores at <3%, messaging interoperability with two unknown partners), negative effects (search quality), or almost unused implementation (data portability). The pattern suggests that simple, low-friction interventions (choice screens)

outperform complex structural mandates (interoperability, alternative ecosystems) in delivering near-term consumer value. However, due to service quality differences driving most initial consumer preferences, even choice screens have little aggregate impact.

Finding 3: Consumer prices have not fallen despite lower platform commissions. Apple's reduction of EU App Store commissions from 30% to 20% has not translated into lower consumer prices. The Analysis Group study found prices unchanged or higher more than 90% of the time (Analysis Group, November 2025). This undermines a core economic rationale for SB 1074's prohibition on requiring proprietary payment systems: if developers capture commission reductions as profit rather than passing them through, consumers do not benefit financially.

Finding 4: SB 1074's private enforcement mechanism is a highly consequential feature. The DMA relies on European Commission enforcement, which has opened multiple proceedings but issued no final non-compliance decision against Google for search self-preferencing after more than two years. SB 1074's private right of action with mandatory treble damages would bypass this, but at the cost of creating a preferred forum for antitrust plaintiffs. The litigation risk premium is a primary cost amplifier that separates SB 1074's economic impact from the DMA's.

Finding 5: The "national extension" dynamic magnifies both costs and stakes. When California enacted the CCPA, most companies applied its protections nationwide rather than maintain state-specific versions. The Epic v. Apple 9th Circuit ruling (December 2025) established that California state-law injunctions can have nationwide effect. If SB 1074 triggers similar nationwide compliance, as precedent suggests it could, annual costs could reach **$1.7–3.5 billion** (central estimate), making a single state's legislation the de facto national regulatory framework for platform competition.

Conclusion

Two years of DMA enforcement provide a natural experiment for evaluating SB 1074. The experiment's results are sobering for both proponents and opponents of platform regulation. Compliance costs are genuine and substantial, reaching roughly 100 times the European Commission's projection. Consumer benefits are modest, niche, and narrow, concentrated in choice screens whose impacts are mostly short term as consumer preferences and noticeable quality differentials drive longer-term consumer use patterns. A critical variable for SB 1074 is not the substantive obligations, which largely mirror the DMA's, but the **enforcement architecture**: a private right of action with treble damages operating through California's plaintiff-friendly courts. This mechanism could deliver faster enforcement than the Commission's deliberate proceedings and could generate a litigation ecosystem whose costs dwarf the compliance burden itself. For a state with 1.46 million tech workers, the consequences of an overlay aggressive regime under SB 1074 would be salient and significant.