PHILIPPINE COMPETITION COMMISSION
Ensuring businesses compete and consumers benefit

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PCC flags competition concerns in Grab-Uber transaction

The Philippine Competition Commission (PCC) has flagged competition concerns in the market amid Grab's takeover of its main rival Uber, citing price increases and service deterioration in the merged ride-hailing app.

In its Statement of Concerns (SOC) published today, the Mergers and Acquisitions Office (MAO) of the PCC found that the acquisition by Grab Holdings Inc. and MyTaxi.PH Inc. of Uber B.V. and Uber Systems Inc. on March 25 has resulted in a "substantial lessening of competition" in the ride-hailing market.

The SOC notes that Uber would receive shares equivalent to 27.5% of the ownership in Grab's entire operations. During the public hearing on April 5, Uber also admitted that given the merger, it will no longer compete with its erstwhile rival in the Southeast Asian market, including the Philippines.

PCC-MAO finds compelling grounds to take Grab to task for its virtual monopoly of both the driver and customer base after the merger. With the migration of Uber drivers to Grab, Grab now holds 93% of TNVS registered vehicles. It also absorbed most of the customer demand previously served by Uber.

Data from the commissioned surveys indicate that ride-hailing passengers are a "captive market" as more than a majority of them are not likely to shift to other modes of public transportation but would continue to choose TNVS even when faced with price increase.

Despite the increase in Grab's supply of drivers, however, price monitoring data *before* and *after* Uber's app shutdown on April 16, 2018 show an upward trend in Grab fares and frequency of surge-pricing after the shutdown. Passenger surveys and interviews likewise indicate more driver cancellations, forced cancellation of rides, and longer waiting times. PCC-MAO finds that these harms to passengers are a result of the loss of competition previously posed by Uber on Grab.

Aside from loss of competition, the possibility of other TNCs entering the market to provide competition to Grab was also assessed. PCC-MAO finds that such entry of competitors would not be “timely, likely, and sufficient” because it would take a significant amount of time and cost to build a driver and rider base sufficient to contest the incumbent.

PCC-MAO took note that the business model of TNCs relies on being able to match successfully the supply of drivers with the demand of riders. With no constraint from a potential entrant, the ability and incentive of Grab to exercise its market power to the detriment of ride-hailing passengers is even stronger.

The issuance of the SOC is part of the *motu proprio* review launched on April 3 that scrutinized the deal for the effects of Grab’s newly acquired market status arising from the merger. Under the rules, Grab and Uber are given time to file their comment on the SOC.

The review will culminate in either the decision of approval or blocking of the deal. Commitments and remedies to address the identified anticompetitive concerns may also be considered as covered by the Philippine Competition Act.

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