PHILIPPINE COMPETITION COMMISSION
Ensuring businesses compete and consumers benefit

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PCC fines Grab P16.15M for violating commitments in May-August rides

The Philippine Competition Commission (PCC) has imposed a fine of P16.15 million on Grab Philippines for violating its price and service quality commitments during the 4th quarter of the initial undertaking, marking the completion of PCC's first year of monitoring Grab on its voluntary commitments.

The Commission Order released on Friday comes on the heels of the audit report submitted by Smith & Williamson, an independent monitoring trustee tasked to examine Grab's compliance with its voluntary commitments on price, service quality, and non-exclusivity for one year or until August 10, 2019.

The fine is the latest in a string of penalties faced by Grab for violating its commitments. Each violation incurs an administrative penalty ranging from P50,000 to P2 million as provided by the Philippine Competition Act. With the merger of the country's two biggest ride-hailing apps, Grab's violations are indicative of its exercise of market power in the absence of a competitor of adequate scale in the market.

For the fourth leg of the initial undertaking, PCC imposes a fine P14.15 million for Grab's extraordinary deviation on its pricing commitment, and P2 million for exceeding driver cancellations at 7.76% instead of the committed 5%.

Refund to riders

For violating its pricing commitments to PCC, Grab was earlier fined P11.3 million in the first quarter; P7.1 million in the second quarter; and P5.05 million in the third quarter. Fines for the third and fourth quarters will be refunded to qualified Grab riders.

Passengers who availed of Grab's service between May 11 to August 10 this year, or the 4th quarter of the initial undertaking, shall expect the rebate within 60 days through GrabPay credits.

PCC underscores that the disgorged amount shall be paid by Grab and shall not be passed on to its drivers or riders.

"The ride-hailing market has seen profound changes in the past year as a result of Grab's acquisition of Uber. With the commitments in place, PCC aims to maintain pre-transaction market conditions and will discipline any tendency to exercise monopolistic power with corresponding penalties," said PCC Chair Arsenio M. Balisacan.

PCC price range vs LTFRB fare structure

Grab's pricing commitment to PCC is separate and independent from the fare structure of the Land Transportation Franchising and Regulatory Board (LTFRB). While LTFRB has imposed a fare matrix for all transport network vehicle services, the PCC binds Grab to its voluntary commitments, including keeping its fares within a range as if a competitor like Uber were present in the market.

As such, PCC fines Grab for fares that deviated from its pricing commitments to the Commission, even if the same is not considered overcharging based on the fare matrix imposed by LTFRB.

As the initial undertaking lapsed, PCC found that there remains insufficient competition in the ride-hailing market. On October 31, Grab signed a new set of voluntary commitments as a continuing condition for the antitrust authority's clearance of Grab's acquisition of Uber in the Philippines in 2018.

The Commission also looks to other players that can sufficiently complete with the current dominant firm in the ride-hailing market.

"More than a year after the Grab-Uber merger, the PCC instituted these measures to address the persistent impact of a virtual monopoly in this sector. The game-changer, however, will come in the form of a new player with strong financial muscle to enter the ride-hailing market and an environment that allows existing players to grow. Until then, the commitments stand for the benefit of the riding public," Balisacan added.

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