PHILIPPINE COMPETITION COMMISSION
Ensuring businesses compete and consumers benefit

2/F DAP Bldg., San Miguel Ave.,
Ortigas Center, Pasig City
queries@phcc.gov.ph
(+632) 635-6735 (+632) 631-2129

Acquisition by Grab Holdings, Inc. and MyTaxi.PH Inc., of Assets of Uber B.V. and Uber Systems, Inc. (M-2018-012)

Statement of Concerns
Executive Summary

1. On 25 March 2018, Grab bought assets and driver contracts of Uber across South East Asia, including the Philippines, through a regional purchase agreement. In exchange for its assets, Uber would receive shares equivalent to 27.5% of the ownership in Grab's entire operations ("Transaction"). As admitted by the parties in a public hearing relating to the Transaction, Uber is barred from re-entering the ride-hailing market in Southeast Asia, including the Philippines, for a prescribed period.

2. On 03 April 2018, the Philippine Competition Commission directed its Mergers and Acquisitions Office ("Office") to conduct a *motu proprio* review of the Transaction.

3. On 22 May 2018, the Office issued its Statement of Concerns finding that the Transaction has resulted and will likely continue to result in substantial lessening of competition in the relevant market for the following reasons:

    a. Post-Transaction, Grab has 93% of TNVS registered vehicles such that the Transaction creates or strengthens Grab's dominance in the relevant market;
    b. The Transaction results in Grab being able to profitably increase its prices given its market share as riders will not shift to other modes of public transportation;
    c. Barriers to entry are not insignificant. Entry into the relevant market will not be timely, likely, and significant such that a new entrant will not serve as a competitive constraint against Grab;
    d. Post-Transaction prices of Grab indicate that prices are increasing, while quality of service is deteriorating, to the detriment of the riding public.

4. The Office, in conducting its review, identifies the relevant market within which to assess the competitive effects of the Transaction. It finds that the relevant market is the on-demand car-based private transportation online booking service through a mobile ride-

hailing application in Metro Manila, its surrounding areas, and Cebu, due to the following considerations:

a. An overwhelming majority of riders would choose to continue using on-demand car-based private transportation online booking service through their mobile ride-hailing application when faced with a hypothetical price increase of 5-10%, which is borne out by actual events post-Transaction;

b. Prices for GrabCar and Uber are generally higher compared to other modes of public transportation, including regular taxis;

c. There are significant qualitative differences between on-demand car-based private transportation online booking service through their mobile ride-hailing application and other modes of public transportation;

d. Public pronouncements and internal documents of the Parties show that the Parties differentiate their services from taxis and that they view each other as their sole competitor;

e. Riders and other market participants consider on-demand car-based private transportation online booking service through their mobile ride-hailing application separate and distinct from other modes of transportation, even those whose bookings are facilitated through a mobile app; and

f. Regulatory regimes applicable to TNCs and TNVS vis-à-vis other modes of public transportation (including taxis) significantly differ.

5. The Office has found that the Transaction has eliminated the only competitive constraint on Grab in the relevant market. Considering that Grab now holds a near monopoly of both the driver and customer base in the relevant market, Grab can unilaterally raise its prices and reduce the quality of its services, as it experiences no sufficient competitive constraint from any other market participant.

6. In assessing the competitive effects of the Transaction, the Office used the parties' submissions, as well as data from third parties, including surveys and studies commissioned by the Office.

7. In determining the ability of Grab to raise prices as the surviving entity, the Office analyzed the pricing model of both Grab and Uber. It finds that although there is price regulation imposed on the Parties in the form of an approved base fare, distance rate, and time rate, Parties have flexibility and the ability to charge higher prices based on the variable range and surge rates.

8. The review indicated that prior to the Transaction, prices charged by Grab have been flat to declining, while post-Transaction prices have been increasing, despite the increased supply of drivers available to Grab post-Transaction. In other words, prices have increased despite an increase in the supply of Grab drivers. This upward trend in price is apparent through the (i) higher fares, and (ii) increased frequency of surge-pricing applied by Grab.

9. Likewise, the price monitoring (with total observations of 27,648 booking requests over three (3) phases) and mystery shopper surveys (a total quota of 1,104 rides) commissioned by the Office both showed an increase in Grab's prices after the planned exit of Uber on April 16, 2018. The surveys were conducted before and after April 16, 2018, and gathered information on the actual prices, service, and booking conditions of Grab and its potential competitors.

10. Overall, results of the tests conducted by the Office indicate increasing Grab prices post-Transaction to the detriment of consumers.

11. The Office is mindful that the likely consequence of the elimination of the sole competitor in the relevant market is not limited to an increase in prices. Competition does not bring only low prices to consumers, but also a higher quality of services, more choices for consumers, and increased innovation. The elimination of Grab's sole competitor in the relevant market may also deprive customers of these benefits.

12. Results of the market investigation, as well as comments from the riding public on the effects of the Transaction submitted to the Office, indicate that the quality of services of Grab has decreased post-Transaction in the following manner: (i) increased driver cancellation; (ii) forced cancellation of rides; and (iii) increased waiting times. This is compounded by the loss of a competitor in Uber where trips were less likely to be cancelled due to features which mask the destination of a prospective rider until the start of a trip.

13. While the Office notes that there are new entrants to the relevant market, historical data shows that it would take a significant amount of time and cost for these new players to grow a driver and rider base sufficient to contest the incumbent. During such period, Grab will not be constrained by any competitor, allowing it to exercise its market power in the relevant market. Therefore, the Office finds that new entrants in the relevant market are not likely to exert sufficient competitive pressure on Grab.

***