BT Explains

Flagging down competition for ride hailing

The Competition and Consumer Commission of Singapore (CCCS) last week proposed ways to address a potential monopoly in the ride-hailing sector due to Grab's acquisition of Uber's South-east Asian business. What will these mean for the industry's stakeholders? ***BY JACQUELYN CHEOK***

EXCLUSIVITY

Proposed remedy

- Remove exclusivity obligations, lock-in periods and termination fees on all Grab drivers and drivers who rent from Grab Rentals, Lion City Rentals or Grab's rental partners
- Remove Grab's exclusivity arrangements with any taxi/chauffeured private-hire car fleet in Singapore

Impact

- **Grab and its rivals** may find it harder to retain both private-hire car and taxi drivers if there are no contractual hurdles. They may therefore have to spend more on driver incentives, or find a way to compete for drivers in other ways, like efficiency or services.
- The exclusivity ban does not apply to **Grab's rivals**, however. If everyone else is operating on exclusivity restrictions, that could create a situation where each platform is operating on a de facto exclusive basis with its drivers.
- **Riders** may have more ride-hailing platforms to choose from. Whether prices improve will partly depend on how keen the platforms are to pass on the costs of acquiring and retaining drivers.
- **Independent private-hire car drivers** will find more platforms available to them, and may enjoy better incentive schemes.
- Existing **taxi fleet operators** or **rental fleet operators** may have leverage to pit one ride-hailing platform against another.

Proposed remedy

- Maintain Grab's pre-transaction pricing algorithm and driver commission rates until competition is revived in the market

Impact

- **Grab** has kept its fares and driver commissions unchanged after the announcement of the Uber transaction, so there should be no impact in the near term. But this will prevent Grab from raising fares or changing commissions to improve profitability in the medium term until competition is revived in the market.
- This could make it tougher for **Grab's rivals** at the start, since they will have to offer lower fares and commissions to compete against the same rates that led Uber to leave the market.
- This could be positive for **riders** and **drivers**, however, as the platforms will continue to keep fares and commissions low to compete for market share. Nevertheless, the subsidies that riders and drivers enjoy may eventually fade if profitability becomes more important to the companies.

Proposed remedy

- Require Uber to sell all or part of Lion City Rentals to any potential competitor who makes a reasonable offer, and prevent Uber from selling all or part of Lion City Rentals to Grab without CCCS's prior approval

Impact

- **Grab** will find it harder to buy assets from Lion City Rentals and dominate the private-hire car market.
- **Other ride-hailing operators** and **fleet owners** have a chance to acquire Lion City Rentals.
- The benefit, or not, to **riders** and **drivers** will depend on whether the sale of Lion City Rentals creates more robust competition between private-hire fleet operators.

Proposed remedy

- Propose financial penalties upon Grab and Uber respectively

Impact

- **Grab's** monetary liability has not been determined, but the notion of culpability may be more damaging on the company's reputation and its ability to quickly seal deals in the future.
- For **other players** in the industry, this could serve as a warning to consult with the Commission whenever there is concern about competition.
- If the penalty is large enough, it could nudge **Grab** toward other markets or to address costs sooner rather than later, which could hurt **riders** and **drivers.**

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