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Ensuring businesses compete and consumers benefit

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PCC extends Grab's commitment period as year-long monitoring lapses

The Philippine Competition Commission (PCC) is extending the effectivity period of the voluntary commitments undertaken by Grab Philippines, Inc. last year for the antitrust watchdog's conditional clearance of its acquisition of Uber, in order to give way to talks on a new or amended set of commitments that will be effective for another period to be agreed upon.

Exactly a year after PCC rendered a Commitment Decision on Grab's acquisition of rival Uber on August 10, 2018, the competition authority finds that the dominance of the merged firms remains unchallenged and competition has not improved in the ride-hailing market.

The PCC is extending Grab's voluntary commitments for 71 days, or from August 11 to October 20, to give way to negotiations for a new or amended set of voluntary commitments to address the lingering competition concerns arising from the acquisition. The same framework of measures may be the basis of new or amended commitments but possibly with adjusted metrics to hold Grab in check for its price surges, driver discrimination through booking cancellations, and service quality. The term of the new or amended commitments will also be the subject of negotiations.

"The task ahead for PCC and Grab is to ink a renewed set of commitments that is fair and reasonable and that protects consumers from Grab's currently unchallenged dominance in the market. We also hope to raise the level of competitive intensity in the market and bring about market conditions conducive to new entrants," said PCC Chair Arsenio M. Balisacan.

To recall, the voluntary commitments include:

Service Quality Commitment: Grab shall commit to bring back market averages for acceptance and cancellation rates before the transaction, and response time to rider complaints.

Fare Transparency Commitment: Grab shall show the fare breakdown per trip, including distance, fare surges, discounts, promo reductions, and per-minute waiting charge in every trip receipt.

Commitment on Pricing: Grab shall maintain pricing at a level comparable to the period prior to its acquisition of Uber.

Driver/Operator Non-Exclusivity Commitment: Grab shall not introduce any policy that will result in drivers and operators being exclusive to Grab. Current Grab drivers/operators are allowed to register/operate under other Transport Network Companies (TNCs) through a multi-homing scheme.

Incentives Monitoring Commitment: Since incentives may induce drivers to remain exclusive to Grab, and thus affect its competitors' conditions of entry and ability to expand, the Commission shall monitor and evaluate Grab's incentives on the basis of mandatory quarterly reports.

Improvement Plan Commitment: Grab shall implement the following: (1) enhance driver performance standards; (2) adopt a Driver Code of Conduct; (3) establish a Grab Driver Academy; (4) adopt an emergency SOS feature, help center, and passenger no-show feature; (5) adopt a Passenger Code of Conduct; (6) maintain dedicated service lines subject to prevailing labor regulations; (7) adopt a Driver Welfare Program; and (7) implement a Driver Rewards Program.

The current commitments shall remain valid during the extension period while negotiations for new or amended commitments are underway.

If PCC and Grab fail to reach an agreement on the new set of voluntary commitments by October 5, the conditional clearance on the transaction will be re-evaluated by PCC.

To recall, PCC initiated a *motu proprio* review of the transaction in April 2018 and flagged competition concerns in Grab's takeover of its biggest competitor. In its statement of concerns, PCC found that the merger of the two biggest TNCs in the country has resulted in substantial lessening of competition in the ride-hailing market. With its virtual monopoly of both the driver and customer base, Grab has the ability and incentive to raise its prices and reduce the quality of its services.

PCC's conditional approval of the Grab-Uber transaction is hinged on the merged firm's compliance with its commitments. These commitments are designed to maintain conditions in the market as if Uber or another competitor is present to set a competitive constraint on Grab. The commitments were also meant to prevent Grab from making it difficult for new players to enter and grow in the ride-hailing market.

"Competition is a dynamic process in the market. Real competition springs not from presence of a new player alone but from evident rivalry among firms in terms of capacity, price and service quality. On one hand, the commitments can keep Grab in check from exercising its market power as a virtual monopolist. On the other hand, we also advocate for allowing smaller players to grow or formidable new competitors to enter the market which will be more beneficial to the riding public," Balisacan said.

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