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PCC extends Grab's commitments, offers way to refund riders

The Philippine Competition Commission (PCC) has approved a new set of voluntary commitments undertaken by Grab as a continuing condition for the antitrust authority's clearance of Grab's acquisition of Uber in the Philippines in 2018.

In its Commission Decision, PCC maintains to bind Grab to a set of conditions aimed at addressing lingering competition concerns in the ride-hailing market, over a year after Grab's takeover of its biggest competitor.

Any breach of the conditions will subject Grab to fines of up to P2 million per breach, additional remedies, or nullification of the decision conditionally clearing the transaction.

Grab's Extended Undertaking shall be effective for 1 year from 1 November 2019 in relation to all commitments other than the non-exclusivity commitments. The latter, which have implications on new entrants, shall be effective for 4 years.

The commitments are broadly categorized into non-exclusivity, service quality, and price-related commitments:

Non-exclusivity commitments

- **Non-exclusivity guarantee.** Grab shall not impose or introduce any agreement, policy or incentive that would result in exclusive membership or registration by drivers or operators in Grab.
- **Incentives monitoring.** Grab shall ensure incentives, benefits, promotions or rewards for its drivers or operators do not result in exclusivity to Grab. As incentives affect competitors' conditions of entry and ability to expand, PCC shall monitor and evaluate Grab's incentives based on mandatory quarterly reports.
- **Assistance commitment.** Grab shall provide licensing and regulatory support, including return of documents, to drivers and operators even when operating under competitors.

Service quality commitments



- **Completion Rate commitment.** To ensure drivers do not discriminate against passengers, Grab shall maintain average Completion Rate of not less than 65% per month for the 1st quarter and 70% per month for the remaining quarters.
- **Removal of “See Destination” feature commitment.** Grab shall remove the “See Destination” feature for drivers whose Completion Rate in a given week falls below 65% for the 1st quarter and 70% for the remaining quarters.

Price-related commitments

- **Fare transparency commitment.** Grab commits to continue using its current receipt showing the fare breakdown per trip.
- **System-Wide Average Fare Cap commitment.** Grab shall ensure that its Overall Average Fare for the monitoring month shall not exceed the System-Wide Average Fare Cap for the corresponding month. The monthly average fare cap restricts Grab’s ability to increase prices beyond pre-transaction levels, limiting the average fare increase to 22.5% in most months.

Lingering competition concerns

To recall, PCC subjected the merger of the country’s two biggest ride-hailing apps to conditions in clearing the transaction on 10 August 2018. These conditions were part of the voluntary commitments undertaken by Grab to address the competition issues raised by PCC.

Grab’s Undertaking was for a period of 1 year, during which PCC monitored Grab’s compliance with its commitments.

PCC found it necessary to extend and amend Grab’s Undertaking after considering the continued lack of viable competition and the lingering competition concerns arising from the transaction. Grab’s prevailing market dominance, its ability to increase prices profitably, the inadequacy of its service quality, and the existence of significant entry barriers have all contributed to the objectionable conditions for the dominant player to operate without competitive constraints from real rivals.

The commitments set out under the Extended Undertaking are designed to maintain market conditions as if a competitor of adequate scale is present to set a competitive constraint on Grab. They are also meant to prevent Grab from making it more difficult for new players to enter and grow in the ride-hailing market.

While the Extended Undertaking maintains the basic framework of the initial Undertaking, it introduces more streamlined commitments and metrics to hold Grab in check and to easily monitor its compliance.

PCC stands to guard against any breach or non-compliance through an appointed impartial third-party trustee to independently monitor Grab on its commitments.

Breach of fare cap commitment: Refund to riders

In the event that Grab breaches its monthly average fare cap commitment, PCC shall fine Grab P2 million per month. As additional deterrence, the Commission also introduced the disgorgement system wherein Grab shall return to its riders its commissions in excess of the System-Wide Average Fare Cap for the affected month.

This mechanism ensures the affected riders will directly be given a rebate through their individual *GrabPay* accounts within 30 days from Grab's receipt of PCC's notice of breach. The disgorged amount to be refunded shall be in proportion to the fares paid by the riders during the relevant month.

Fines for breaching initial Undertaking

The PCC has resolved to impose a total fine of P23.45 million on Grab for breaching its pricing commitments during the 1st to 3rd quarters of the initial Undertaking.

This covers P11.3 million penalty for the 1st quarter, P7.1 million for the 2nd quarter, and P5.05 million for the 3rd quarter. The disgorgement mechanism shall be applied on the 3rd quarter fine that will kick off the refund of P5.05 million to affected Grab riders.

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