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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMPETITION COMMITTEE**

**The Role of Innovation in Enforcement Cases – Note by Kazakhstan**

5 December 2023

This document reproduces a written contribution from Kazakhstan submitted for Item 3 of the 141st OECD Competition Committee meeting on 5-8 December 2023.

More documents related to this discussion can be found at  
[www.oecd.org/competition/the-relationship-between-competition-and-innovation.htm](http://www.oecd.org/competition/the-relationship-between-competition-and-innovation.htm).

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## *Kazakhstan*

### 1. Introduction

1. Practical applications of innovation are notably evident in digital markets, particularly where information systems facilitate algorithmic pricing. In the Republic of Kazakhstan, a prominent example of this is found in the taxi services market, where pricing is determined algorithmically by service aggregators.

### 2. Anti-Competitive Practices Associated with Innovation

2. In Kazakhstan, increased demand for taxi services during peak hours or inclement weather in major cities like Almaty and Astana leads to significant fare hikes, often causing public dissatisfaction. A notable case is the market dominance of a taxi service aggregator, which has leveraged network effects to increase service costs for using its digital platform.

3. The Antimonopoly Agency's market analysis revealed that this aggregator's dominant position has been growing steadily for over two years, allowing it to significantly influence the general market conditions. One key issue is the high commission rate 24% per trip charged from drivers and consumers, plus an additional 4% commission by partner taxi companies. This results in an overall increase in taxi fares and places a substantial burden on service drivers.

4. Consequently, the Agency is investigating the aggregator for potential economic coordination and abuse of a dominant position, specifically regarding the imposition of monopolistically high prices through driver commissions.

5. Another instance of algorithmic pricing is observed in the airline industry. During holidays, airlines increase ticket prices, offering more affordable options with limited services (*non-refundable tickets, reduced baggage allowance, check-in fees, etc.*) to boost paid service offerings.

6. This dynamic pricing system, a common tool among airlines, becomes problematic in monopoly markets. For instance, Kazakhstan's national carrier and his group of companies, holding a monopoly position, uses dynamic pricing to maximize profits.

7. Although air transportation services are generally competitive, the presence of a monopoly necessitates open competition with other low-cost carriers willing to operate in Kazakhstan. To address potential unfair practices by air carriers, the Agency collaborates with the Ministry of Transport of the Republic of Kazakhstan to establish pricing rules in the air transportation services market.

8. Thus, common examples of discrepancies in the digital market practices to antimonopoly legislation compliance include:

- assessing market dominance based on quantitative rather than qualitative criteria (*volume of production of goods, services*), despite digital markets usually relying on other indicators like user numbers and network effects;
- price coordination among market participants, where aggregators utilize uniform pricing algorithms for independent market participants;

- dominant companies employing dynamic pricing amid prohibitions on establishing monopoly prices and contentious methods for determining reasonable pricing.
- Current competition legislation allows for scrutiny of digital platforms for potential abuse of dominant positions or price coordination among market entities.