

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMPETITION COMMITTEE****Working Party No. 2 on Competition and Regulation****Taxi, ride-sourcing and ride-sharing services - Note by Sweden****4 June 2018**

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## Sweden

### 1. Background<sup>1</sup>

1. The Swedish taxi market is largely liberalised. Since 1990, anyone who fulfils the requirements for carrying out the profession can enter the market. There are no restrictions on entering the market through, for example, quotas or price regulation. However, the profession is regulated by the requirements placed on taxi drivers to have a taxi driver certification, on taxi companies to have a license for taxi service and on taxi vehicles to fulfil the requirements to be registered as a taxi vehicle, such as the requirement of a taximeter and the display of a comparative price on the outside of the vehicle. The regulations have essentially two purposes – tax control and security for passengers.

2. In the taxi market there are three primary actors: taxi drivers, taxi companies and dispatch centres. The regulation of the profession is entirely placed on the taxi drivers and the taxi companies, whereas dispatch centres are not regulated. There is no need for a license for dispatch centres or any other regulations on how to operate.

3. Dispatch centres are essential for how the taxi market works. Approximately eight out of ten taxi companies are connected to a dispatch centre, and most customers contact a dispatch centre when ordering their cab. The size of dispatch centres varies considerably, from a couple of taxi companies in a small town that have a common phone number, to large groups either member-owned by the taxi companies or owned by an investment company. The brands of the large dispatch centres are better known among the public.

4. Within the Swedish Competition Act there are two exemptions to the rules against anticompetitive agreements aimed at dispatch centres. Both exemptions target situations when an agreement has as its purpose the achievement of efficiencies or other such economic advantages. The first exemption applies in those cases that the partnership is required to meet a societal interest of access to a taxi service, and does not involve more than 40 vehicles<sup>2</sup>. This may, for example, be the case in small cities where taxi companies need to cooperate to survive individually and to provide a functioning taxi service. For the exemption to apply, the purpose of the cooperation must not be able to be achieved in any other way. The second exemption is a block exemption that applies when the taxi companies account for no more than 35 percent of the market for the services to which the partnership relates, and when the conduct is warranted in order to achieve the purpose of the taxi service<sup>3</sup>.

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<sup>1</sup> This section is based on the Swedish Competition Authority's report 2018:1, *Konkurrensen i Sverige, kapitel 26 Taximarknaden [Competition in Sweden, Chapter 26 The taxi market]*, February 2018.

<sup>2</sup> Chapter 2, section 5 of the Swedish Competition Act. (2008:579).

<sup>3</sup> Act concerning block exemption on anticompetitive agreements regarding certain taxi operations (2008:580).

## 2. A government inquiry into the adjustment to new conditions for taxis and ride-sharing<sup>4</sup>

5. In 2016 a government inquiry into the adjustment to new conditions for taxis and ride-sharing (the “taxi inquiry”) presented its final report “*Taxi and ride-sharing – today, tomorrow and the day after tomorrow*”<sup>5</sup>.

6. The inquiry submitted the following three main proposals:

1. Introducing a new category of taxi with a new type of control device as an alternative to a taximeter, where the regulation of the new type of control device is technology-neutral.
2. Removing the possibility of being granted an exemption from the requirement to have a taximeter in the vehicle.
3. Introducing a new definition of ride-sharing stating that when two or more persons are travelling together in a passenger car (or light truck) to the same destination or in the same direction and where the cost of the transport is shared among the passengers and the driver, the journey should be exempted from the definition of taxi services. This would apply even if the ride has been made available to the public, for example facilitated through a platform service.

7. The inquiry pointed out that the digitisation of Swedish society will enable completely new business models that can lead to a restructuring of the industry. However, the inquiry considered that it is not beneficial in the long run to try to meet the challenges and opportunities created by the growth of the sharing economy by introducing several new categories and rules covering the grey zone created between private service providers and professional services.

8. The inquiry noted that the design of the proposals put forward in the final report makes it easier for the government to propose further adjustments to new social conditions and innovations. For example, if the government wants to review the requirements for taxi driver certification, licences for taxi service, vehicle inspection requirements or requirements for taxi signage, it will be easier if rules for collection, storage and disclosure of necessary control information are in place.

## 3. A new control device as an alternative to a taximeter

9. On 12 April 2018, the Swedish Government presented a government bill<sup>6</sup> about a new category of taxi service. The bill is primarily based on two of the three proposals by the government inquiry mentioned above. The purpose is to facilitate the emergence of new technical solutions and business models without compromising the possibilities for

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<sup>4</sup> This section is based on Taxiutredningen’s [the taxi-inquiry’s] final report SOU 2016:86, *Taxi och samåkning – i dag, i morgon och i övermorgon* [Taxi and ride-sharing – today, tomorrow and the day after tomorrow], November 2016.

<sup>5</sup> SOU 2016:86.

<sup>6</sup> The Government of Sweden’s bill *Prop. 2017/18:239 En ny kategori av taxitrafik* [A new category of taxi service], April 2018.

tax control or protections for consumers and workers. However, the bill is yet to pass the Swedish Parliament.

10. Taximeters are built on old technology that is possible to circumvent from a control perspective. A technology-neutral regulation makes it possible to reap the advantages of technological innovations without compromising control possibilities. The SCA has long advocated a technology-neutral regulation of control devices in the taxi market instead of the requirement for a taximeter.

11. By introducing a new category of taxi with “special equipment for taxi vehicles”, a taxi driver could in the future choose to have either a traditional taximeter or a new type of control device. The current possibility of being granted an exemption from the requirement to have a taximeter will be removed since there will be an alternative to a taximeter. By ensuring that the regulation of control devices is technology-neutral, there is scope for technological innovation, which reduces the risk that the taxi industry becomes stuck with obsolete technology as a result of the regulations that apply.

12. According to the legislative proposal, there are some differences between the two categories of taxi. While taxis with taximeters can be hailed on the street and manage payments in-car, taxis with “special equipment for taxi vehicles” must be pre-booked through the licensed dispatch centre at a fixed price. Additionally, payments are not allowed in-car since all payments must go through the licensed dispatch centre. However, the requirement of pre-booking does not state how far in advance the booking has to be made, only that it must be made before the journey starts, which suggests that customers can make the booking just before they step into the taxi.

13. While taxis with a taximeter must be affiliated with a licensed reporting centre, taxis with the new control device must be affiliated with a licensed dispatch centre.

14. There is no change in the requirements for a taxi driver certification, the license for taxi service or other requirements placed on the vehicle. As a result, both types of taxi are placed under the same type of financial controls as well as requirements on, for example, driving and rest periods in accordance with the Work Environment Act.

15. On the whole, the legislative proposal aims to create a level playing field between the two categories of taxi.

#### **4. An increase in taxi vehicles but a clear trend towards a consolidation of the taxi market<sup>7</sup>**

16. Since the taxi market was liberalised in 1990 the number of taxi vehicles has increased overall. However, the situation regarding availability differs greatly across the country. While there are signs of an over-establishment in Stockholm, there can be a deficit of taxi vehicles in other parts of Sweden. This can be illustrated by the variation in taxi density between counties. Taxi density was highest in Stockholm County with 3.0 registered taxi vehicles per 1000 inhabitants. The county with the second-highest density of taxi vehicles had a taxi density of 1.9 registered taxi vehicles per 1000 inhabitants. The

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<sup>7</sup> This section is based on the Swedish Competition Authority’s report 2018:1, *Konkurrensen i Sverige, kapitel 26 Taximarknaden [Competition in Sweden, Chapter 26 the taxi market]*, February 2018.

county with the lowest taxi density (Blekinge County) had only 0.8 registered taxi vehicles per 1,000 inhabitants.

17. There is a clear trend toward a consolidation of taxi companies with a license for taxi service. While the number of taxi vehicles has increased since 1990, the number of taxi companies has decreased since 2000. The change in the market structure means an increase in larger companies and decrease in companies with few cars, see Table 1, but also that the larger companies have more cars. Even so, taxi companies are generally small and therefore mergers and acquisitions within the taxi market has yet not been the subject of merger control in accordance with the Competition Act.

**Table 1. Number of taxi companies based on the number of taxi vehicles in the company**

Number of cars in the taxi company Year	1	2	3-5	6-10	11-20	>20	Total
2000	6,146	1,252	859	194	50	20	8,521
2010	4,885	956	854	307	112	50	7,164
2016	4,646	950	833	341	135	86	6,991

18. The number of taxi vehicles and taxi companies is one dimension, however most consumers who use a taxi will contact a dispatch centre for ordering the ride. There are also signs of a consolidation in process among dispatch centres. One example is the Cabonline group, owned by an investment company, which includes a large number of dispatch centres either as subsidiaries or brands. Another example is the member-owned Taxi Stockholm which is extending its business through starting subsidiaries in other parts of Sweden.

19. Taxi services are traditionally a local service whereby you hire a cab where you are. However, the emergence of digital solutions has created a demand for using the same app for hiring a taxi wherever you are. Furthermore, public procurements of taxi services have seen requirements for a nationwide service instead of assigning different contracts for different locations.

20. Another sign of the consolidation of the market is the emergence of nationwide meta-dispatch centres, which are dispatch centres to which other dispatch centres affiliate in order to be able to offer a nationwide service. At present, there are two such nationwide meta-dispatch centres: Sverigetaxi, owned by the Cabonline group, and Svea Taxi Allians within the Taxi Stockholm group. In addition, there are some travel agencies who specialise in taxi bookings and thus offer a nationwide service, mainly aimed at companies and public agencies procuring a one-stop shop for taxi bookings regardless of where in Sweden the service is needed.

21. How the consolidation of dispatch centres and, in particular, the emergence of meta-dispatch centres will affect competition depends in part on how these operate. For example, is it the meta-dispatch centre that determines the price and which taxi company or dispatch centre will perform the assignment, or is the price set by the taxi company/dispatch centre, and the consumer then chooses who they want to hire? In addition, it also depends on whether there are other taxi companies or dispatch centres that are not affiliated to the same meta-dispatch centre.

22. There are two primary segments on the taxi market: privately paid and local government funded taxis<sup>8</sup>. On the national level the two segments are approximately the same size. However, the distribution between the two market segments of privately paid and local government funded taxis differ greatly across the country. In large cities the privately paid segment is bigger than the local government funded segment. However, in smaller towns and rural areas as much as 99 percent of the taxi market can consist of local government funded taxis. In those areas public procurements are essential for the taxi market. Losing a contract in a public procurement can mean either closing down the business or consolidating with the taxi operator that won the contract. Therefore, depending on how the public procurement is designed, it can either contribute to or counteract the consolidation of the taxi market. Therefore, contracting authorities must adopt a perspective that stretches beyond simply the procurement at hand. This is in order that the procurement at hand does not risk causing a situation where only one player remains on the market when it is time for the next procurement.

## 5. Ride-sharing and TNC-services<sup>9</sup>

23. Ride-sharing refers here to when the driver transports others on a trip that they would otherwise still have taken. Basic examples of this are when parents take turns at driving children to matches or when someone driving long-distance offers others to travel in the car at cost price.

24. True ride-sharing, when the driver and the vehicle would otherwise still have made the trip is largely uncontroversial in Sweden. An increase in true ride-sharing can be seen as desirable, mainly due to the environmental benefits of a more efficient use of resources.

25. The discussion about ride-sharing has mainly focused on how to allow and promote true ride-sharing without opening up the possibility of misuse of ride-sharing. An example of such a misuse could be people claiming they are ride-sharing when they are actually offering taxi services for profit without fulfilling the requirements for taxi services. The governmental inquiry's proposals about a new definition of ride-sharing have been criticised for making it too difficult to exert controls to ensure that people do not misuse ride-sharing.

26. Services offered by transportation network companies (TNC-services) refer here to when private individuals drive people in their private cars for profit, where the rides are facilitated by companies or organisations through online platforms, but without complying with the regulations for traditional taxi services. At present, TNC-services are not permitted in Sweden, but they have triggered a much broader discussion than the particular issue of ride-sharing. Some fear that an unregulated market for TNC-services with insufficient possibilities for control will aggravate tax crime and violations of working environmental rules on driving and rest periods. A view has been expressed that

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<sup>8</sup> Local government funded taxis cover services such as transportation for older or disabled persons, school transportation and patient transportation.

<sup>9</sup> This section is based on the Swedish Competition Authority's report 2018:1, *Konkurrensen i Sverige, kapitel 26 Taximarknaden [Competition in Sweden, Chapter 26 the taxi market]*, February 2018.

after the clean-up of the industry that has taken place since liberalisation in 1990, one of the lessons learned is that insufficient control mechanisms risk returning the industry to the situation immediately post-liberalisation when it was infamous for economic crimes and duping unaware consumers through exorbitant pricing, leading to other countries warning their citizens about using a cab in Sweden. Another view has been expressed that the risks should not be exaggerated, since with the new possibilities created by platforms such as rating mechanisms, and technological advancements, the situation now is far different to 1990 when the market was liberalised.

27. Opening up the market for TNC-services and at the same time upholding a level playing field between TNC-services and traditional taxi services requires that the regulations for taxi services are reviewed. This is especially the case since the possibility to regulate TNCs – depending on the way the services are designed - is likely limited, owing to EU-wide rules on free movement for information society services and the prohibition on imposing prior authorisation or any other requirements having equivalent effect on this kind of service provider. However, it can be noted that with the proposed technology-neutral regulation of control devices, one important building block will be in place, namely the ability to maintain tax control even within TNC-services.