

**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 Bulgaria**

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More documents related to this discussion can be found at [www.oecd.org/daf/competition/taxis-and-ride-sharing-services.htm](http://www.oecd.org/daf/competition/taxis-and-ride-sharing-services.htm)

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## *Bulgaria*

### **1. Regulation of taxi services in Bulgaria**

1. The provision of taxi services in Bulgaria is regulated by the Law on the automobile transport and the Ordinance for taximeter transport of passengers. Taxi transport of passengers can be performed by registered carriers or by drivers operating on behalf of a registered carrier but at their own expense, by cars up to seven seats, including the driver's seat, with electronic taximeter with fiscal memory after the issuance of a licence for taxi transport of passengers. The licence is issued by the mayor of the municipality or by an official authorized by him for each individual vehicle.

#### **1.1. Requirements for taxi automobiles**

2. The automobiles for taxi transport of passengers should not be older than 15 years since the date of their first registration.

#### **1.2. Requirements for taxi drivers**

3. The taxi drivers should:
- have driving licence for category B;
  - not have been convicted of an intentional crime of general nature or of a transport offense and/or have not been deprived of the right to drive a motor vehicle by judicial or administrative order;
  - not have administrative penalties imposed for driving a vehicle with blood alcohol concentration of more than 0.5 per thousand to 1.2 per thousand in the last year;
  - be psychologically fit;
  - have a certificate for driver of taxi automobile valid for the relevant municipality, which is issued to a person who meets the above requirements and has passed an exam before Executive Agency "Automobile Administration". The exam is on the organization of the taxi transport of passengers, exploitation of the automobile, work with the taximeter, sanctions for infringements, road traffic safety, knowledge of the territory of the relevant municipality.

### **2. Advocacy opinions**

4. The Bulgarian Commission on Protection of Competition (CPC) has adopted three advocacy opinions concerning price regulation of taxi services and maximum number of taxi automobiles (Decision 553 of 17 July 2007, Decision 731 of 25 June 2010 and Decision 251 of 18 March 2015).

## 2.1. Price Regulation

5. In Bulgaria the municipal councils have the power to determine the minimum and maximum prices of taxi services valid for the territory of the respective municipality. In its advocacy opinions the CPC states that the minimum and maximum prices restrict competition.

6. The CPC explains that the price is one of the basic means of the participants to compete and the introduction of minimum prices directly leads to restriction of the price competition. The purpose of the minimum price is to guarantee quality or security standards. But the minimum price in itself cannot be a guarantee of quality, which can be achieved by direct quality control. Instead the quality of the services can be ensured with enhanced control with regard to the requirements for the automobiles and the drivers. The CPC states also that the minimum prices prevent the new entrants that would like to apply strategy for market entry based on lower prices. Thus the minimum prices protect the existing market participants and especially the ones that are ineffective. It also removes the incentive for finding more innovative and effective ways to offer the service which would lead to lower prices for the consumers.

7. Although the maximum price is meant to protect consumers the CPC reckons that it can be used as a way of coordination of a price increase in the taxi sector which may lead to prices very close to the maximum. The CPC recognizes the importance of the consumer protection but it highlights that the increase of the prices will harm consumer interests more seriously. Besides the maximum prices can lower the incentive for offering higher quality service. The CPC states that the consumers cannot be protected by the maximum prices. They should be protected by raising their awareness of prices and the ways for lodging a complaint.

8. Despite the advocacy opinions which the CPC adopted in 2007 and 2010 the maximum prices of the taxi services were introduced in 2011 and since 2014 the municipal councils have the power to determine also minimum prices of taxi services.

9. In its advocacy opinion of March 2015 the CPC reiterates its position on the anticompetitive nature of the minimum and maximum prices of taxi services.

## 2.2. Maximum number of taxi automobiles

10. In Bulgaria the municipal councils determine the number of taxi automobiles working on the territory of the municipality as well as the terms and procedure for their distribution among the carriers.

11. In its advocacy opinion of 2007 the CPC expresses the opinion that the municipal councils should exercise their powers to determine the number of the taxi automobiles. Although this restricts the entry in the market, at this moment this is the most suitable way for balancing the interests of the consumers and of the carriers. The CPC suggests that these powers should be exercised after consultations with the taxi associations. The entering of new participants in the market without any control is connected with risk of disregarding technical requirements. The determination of the number of taxis should go together with enhanced control as regards the requirements and severe sanctions in cases of infringements. The number of the taxis should be reviewed every year on the basis of the changes in circumstances and the needs of the population. Thus there will not be market foreclosure for a long period and the potential competition will continue to play its disciplining role.

12. With regard to its advocacy opinion of 2015 the CPC requests the opinion of the interested parties which indicate that despite the limitation of the number of the taxis the existing problems have not been overcome. So the CPC suggests abolition of the power of the municipal councils to set the maximum number of taxis as this is a barrier for entry into the market without bringing any positive results.

### 3. The Uber case

13. The Bulgarian CPC has competences also in the field of unfair competition. Within these competences in 2015 the CPC adopts a decision with regard to the provision of the service UberX on the territory of Sofia since 9 December 2014. In the decision the CPC makes comparison between the services provided by Uber and the services provided by ride-sharing platforms, platforms for connecting with taxi drivers and the traditional taxi services.

#### 3.1. Uber and the ride-sharing platforms

14. Uber has set price tariff for the service UberX which is formed of several components applied cumulatively: price for distance (per kilometer), price for duration of the journey (per minute), initial/basic fee, minimum fee and cancellation fee. The ride-sharing platforms do not set prices for the journey. They only connect the passenger and the driver on the basis of submitted announcements for demand and supply of journey in a certain direction. Taking into account that in the service provided by Uber there is a determined price for the journey the CPC do not accept the objection of the defendant that the service is a ride-sharing platform in which the users of the mobile app make social contacts and agree between themselves for the implementation of the journey and thus they share the costs. The ride-sharing platforms and websites differ significantly from the service UberX which generates revenues/profit which means that this service is an economic activity the results of which are designed for exchange on the market. With regard to this it has to be pointed out that the use of the mobile app Uber is not free for the drivers. Another difference between Uber and the ride-sharing services is that Uber sets specific criteria for the implementation of the service concerning the motor vehicle and the driver.

#### 3.2. Uber and the platforms for connecting with taxi drivers

15. The service provided by Uber is similar to the mobile apps TaxiMe и Taxistars operated by Bulgarian undertakings. These apps also give online access to passengers and drivers to software for submitting and accepting of orders for journey. When there is an order the platform TaxiMe sends the nearest driver with high ranking which makes it important for the drivers to receive high evaluations in order to receive orders. In Taxistars the mechanism for determining of the driver who will take the order is different and depends on specific algorithm for allocation of the orders between the free drivers. It has to be taken into account that like Uber these applications are free for the users-passengers. In all three apps (Uber, TaxiMe and Taxistars) there is a fee for the use of the app by drivers. The users-drivers of TaxiMe and Taxistars pay a fixed fee for every fulfilled order and in Taxistars they also pay a monthly fee per automobile.

16. The main difference between Uber and the other two platforms is that TaxiMe and Taxistars make contracts with licensed taxi drivers and/or taxi companies which

certify that they have the right to perform taxi transport of passengers. The operators of the platform require the relevant documents and conduct interviews with the drivers, make inspection of the vehicles so that the driver can get access to the app. Besides they exercise ongoing control on the activity of the drivers including the quality of the service, whether the clients are charged in accordance with the announced tariff, the term of validity of the documents and also check clients' signals. This indicates that the transport organized and offered through the mobile apps TaxiMe and Taxistars is performed in accordance with the requirements of the Bulgarian legislation.

17. Uber sets minimum requirements that should be met by the drivers but there is not requirement to have licence for taxi transport of passengers. The lack of such requirement widens the range of potential users-drivers of the mobile app Uber, saves the costs for getting the necessary licences of the candidates for drivers. Thus Uber can generate more revenues as more drivers will join it in the activity of offering the service. Consequently the drivers using Uber and the drivers using TaxiMe and Taxistars are set in unequal conditions as regards the requirements for starting the provision and the performing of the taxi transport services.

18. Another significant difference is that Uber determines the price of the journey – price per kilometer, per minute, initial/basic fee, minimum fee and cancellation fee while TaxiMe and Taxistars do not set the price of the journey – it is determined by the taxi company whose driver takes the order.

### **3.3. Uber and the traditional taxi services**

19. The taxi transport of passengers is public transport against remuneration which is performed by cars up to seven seats, including the driver's seat on a route ordered by the passenger. The CPC considers that the service UberX is an innovative alternative of the public transport of passengers in which Uber through its mobile app organizes the journey ordered by the passenger in accordance with the criteria determined by the latter – starting and final point of the journey against remuneration by making a connection between the passenger and the actual executor of the transport – the user-driver.

20. Besides the prices determined by Uber (price for distance (per kilometer), price for duration of the journey (per minute), initial/basic fee, minimum fee and cancellation fee) very much resemble the way the prices of the traditional taxi services are set.

### **3.4. Decision**

21. With Decision 540 of 30 June 2015 the CPC finds that Uber B.V. and Rasier Operations B.V. violate the good faith commercial practice because of contradiction with the legal rules regulating the performing of taxi transport. Through the lack of explicit requirement for the drivers to comply with legally set rules the defendants create conditions for circumventing the law by saving the users-drivers the costs related with the issuance of the necessary licences for performing of taxi transport. The CPC has imposed sanctions and has ordered termination of the infringement.