

**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 Romania****4 June 2018**

This document reproduces a written contribution from Romania submitted for Item 3 of the 65th meeting of Working Party No 2 on Competition and Regulation on 4 June 2018. More documents related to this discussion can be found at www.oecd.org/daf/competition/taxis-and-ride-sharing-services.htm

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Romania

1. Taxi transport services have been regulated in Romania by a national law since 2003. This law contained at that time the general rules for the operation of these services, including the right granted to the local public administration authorities to limit the number of taxi authorizations¹ at the level of a municipality and to cap the minimum and maximum transport tariffs, etc.
2. Given that the competition authority was not consulted with respect of the text of the draft law, a number of steps were taken, mainly aimed at eliminating administrative intervention on both the number of authorizations and the tariffs.
3. Although one of the approaches² suggested by the OECD that to phase out the intervention on the number of authorizations was invoked by the Competition Council, the Parliament not only that it did not consider such a possibility, but, starting with 2008, it introduced a demographic criterion establishing this number by applying a ratio of four authorizations per 1000 inhabitants.
4. The only successful undertaking consisted of maintaining the intervention of local administrations only on the maximum level of (distance and stationary) transport tariffs, eliminating thus any involvement of them in fixing the minimum price.
5. In addition, in 2008, the compulsory registration of each taxi vehicle at a dispatcher was introduced. These dispatchers are companies that take, by phone, and subsequently on-line, customer orders by placing them via a radio station to the taxi driver / taxi vehicle. Some of these dispatchers also own a taxi transport division.
6. It should be noted that taxi drivers can be independent, licensed natural persons (undertakings from the point of view of competition law) who work on a taxi, either by themselves or by sharing working time with a colleague, or they can be taxi companies who own several taxis, on which employees work.
7. Once they have been assigned to a dispatcher, they are obliged to apply the fixed transport tariff within that dispatcher. This tariff, which may not exceed the maximum limit set by the local administration, results from the average of the charges of each taxi carrier (independent or firm) assigned to that dispatcher.
8. Legislative changes in the 2007-2008 period, which eliminated even the possibility for taxi carriers to take orders outside the street (making them thus dependent on dispatchers), and involved the dispatchers in setting the transport tariff, created a favourable framework for anti-competitive agreements among dispatchers.
9. Starting with 2010 till present, the competition authority has sanctioned six anti-competitive agreements in this area, which took place in several cities in Romania (Bucharest, Timisoara, Constanta, Baia Mare, Targu Mures, Rm. Valcea). The

¹ Each taxi authorization corresponds to a taxi vehicle.

² OECD Roundtable discussions on OECD on Taxi Services: Competition and Regulation, 2007 - <https://www.oecd.org/regreform/sectors/41472612.pdf>

agreement³ reached in Bucharest municipality, among the main dispatchers in the market (covering about 70% of the total number of taxi authorizations), envisaged the transport tariff applied by taxi carriers.

10. The dispatchers, most of which are not present on the taxi transport market, make a revenue from the dispatch charge received from the taxi driver (between approximately 50-70 euros and it includes the brokerage service between the customer and the taxi, to which the rent of the reception station is added,) for each taxi.

11. Therefore, most of the dispatchers do not record transport costs, but are interested in dispatching the largest number of such vehicles.

12. However, the dispatchers agreed that the freight tariff would be the same for all in order to put a stop to the migration of a taxi carrier from one dispatcher to another that applies lower tariffs (but which leads to an increase of the number of customers).

13. This agreement which has led to an increase in tariffs for some taxi drivers, and for others, to a decrease, has significantly restricted any price competition in Bucharest and neighbouring areas, with over 90% of the market reaching to apply the same tariff (small dispatchers who were not involved in the agreement followed the trend and aligned their price to the price resulting from the understanding between the large dispatchers).

14. Starting from 2011-2012, alternative innovative solutions began to emerge on the taxi transport market, firstly the e-hailing online technology platforms / applications that aggregate or integrate offers of all taxi drivers registered in the application, drivers who also hold a taxi authorization issued by the local authority and are assigned to a traditional dispatcher.

15. Ride-sourcing transport solutions such as Uber, whose registered drivers do not hold a taxi transport authorization, but who perform both permanent transport activity, and occasional one, predominantly within a locality, arose subsequently. To these, ride-sharing solutions, such as BlaBlaCar, which perform only occasional activity, predominantly between two or more municipalities may be added.

16. Through an e-hailing platform, the customer, who has previously created a user account, requests a taxi route, indicating its starting / home location and possible options (Wi-Fi, air conditioning, airport transportation, etc.).

17. Drivers registered on the platform (who pay a monthly fee of between 10 and 30 euros) who are positioned in the neighbourhood and interested to take over the customer (for which the application is free of charge) send offers containing the vehicle identification data (registration number, indicative - a number of two to four digits), the name and eventually the driver photo, the tariff and the arrival time.

18. Once the offer is accepted by the user, it has the possibility to track the driver's route in real time as well as to communicate directly with him by text or telephone. Payment of the taxi service can be made both in cash and through the application, based on a bank account associated with the user.

³ Decision no. o8/03.03.2015 of sanctioning certain undertakings active on the market of persons taxi transport for breaching Art.5 align.(1) let.a) of Competition Law no.21/1996, republished with amendments and completions available at http://www.consiliulconcurentei.ro/uploads/docs/items/bucket10/id10106/decizie_taxi_neconfidentiala.pdf

19. Both users and drivers can access the feedback provided by previous users / drivers, by means of the application

20. However, as stated, the taxi fare charged by the taxi drivers that are reached through these integration platforms is the one displayed on the car door. This taxi fare actually matches the fare applied within the traditional dispatcher by the driver / carrier who is legally bound to be assigned to a dispatcher. The latest fare is established, as mentioned above, by calculating an average of the charges of all the carriers assigned to that dispatcher. Therefore, the autonomy of taxi drivers that can be reached through such platforms is quite limited in terms of price.

21. In the year 2017, the taxi tariff in Bucharest, whose amount had reached a significant level of uniformity (over 90% of the market was applying the same price - approx. 0.3 euros / km) started to vary, today, the range of tariff being between 0.3 and 0.8 euro / km.

22. The platform only makes it possible for the customer to choose the service, including in terms of the tariff offered by the drivers registered on the platform and that belong to several dispatchers, in a certain amount of waiting time,

23. Traditional taxi dispatchers oppose to the emergence of these applications on the market, motivating that these platforms are not allowed by law and that the taxi vehicle, whose driver takes over the order through the application, without involving the dispatcher, is confused with the commercial name of the dispatcher centre to which he is legally bound to be assigned. In other words, although the dispatcher is unaware of a taxi ride by a taxi carrier working under his trade name, he may be associated by the customer, for example, in terms of both the quality of the ride and the tariff, with that dispatcher.

24. Meanwhile, each of the large dispatchers has created its own application, whereby it connects customers only with the taxi drivers assigned to a single dispatcher.

25. One of the first e-hailing integration platforms, Clever Taxi, created by a group of Romanian entrepreneurs, has managed in a few years to serve, at national level, about 20,000 registered taxis / drivers (assigned to several traditional dispatchers), in over 20 cities and more than 700,000 users / customers / passengers, facilitating over 70 million rides/ journeys. Meanwhile, Clever was acquired by the Mytaxi division of the German group Daimler Mercedes, present in ten other European countries (Germany, Poland, Spain, Italy, Sweden, Greece, Austria, Great Britain, Ireland, Portugal).

26. Another similar platform covering several major cities in Romania is Star Taxi, with Romanian capital. It benefits from over 12,000 registered drivers and over 40 million intermediated rides.

27. There are also applications that serve smaller areas and work following the same business model, for example Index Taxi Client, available in only two cities (Timisoara and Ploiesti).

28. In December 2017, the local authority in Bucharest, in its capacity of regulator (Bucharest City Council), decided to apply sanctions to taxi drivers taking orders through these e-hailing platforms.

29. Such a measure means that the presence of these integrative applications on the market in the capital city of Bucharest is forbidden and that the customers are to order taxis by the phone or online through traditional dispatchers' own applications while the

drivers are to take orders not directly from the customers but only through traditional dispatchers (radio station).

30. The Romanian Competition Council advocated for the need to maintain on the market the new innovative technologies that facilitate the interaction between supply and demand, benefiting thus both parties (the customer and the driver).

31. Thus, the end-user has access at the same time to a much wider offer of services, which significantly reduces the search and waiting time, but also to a diversified offer in terms of tariffs and quality (by getting relevant feedback made by previous customers with respect to the services concerned).

32. At the same time, the period of inactivity for the taxi driver is reduced, especially during periods when there is not a high level of demand, this contributing to the efficiency of his activity.

33. Seen as new products, processes or business models, integrative applications redefine the market, with a direct effect on increasing competition between them and individual applications. This type of services complements traditional taxi transport intermediation services which ensure the transmission of consumer demand to taxi carriers, via radio stations.

34. It has emerged from the public consultation following the publication on the local authority site in Bucharest of a draft regulation intended to take over from the bill issued in December 2017 and to detail the issues related to the banning of these integrative applications, that both customers and taxi drivers overwhelmingly support the continued presence of these applications, considering that their elimination would be equivalent to a technological throwback. Traditional dispatchers are the only ones opposing to the presence of these applications / platforms, invoking the absence of a legislative framework that would enable them to function.

35. In Bucharest, around 9-10,000 taxi authorizations/ taxi drivers are active, along with those from the metropolitan area, of which about a quarter are registered on e-hailing platforms.

36. As far as ride-sourcing services are concerned, starting with 2013-2014, in Romania, Blackcab is present, followed by Uber in 2015, and a year later by Taxify.

37. Blackcab, which is called a "customized taxi service with premium cars and well mannered, stylish and educated drivers", operates in Bucharest and the metropolitan area as well as in Cluj, Iasi and Constanta. It rents cars with a driver at a fixed price, pre-set before the ride - the cars used by Black Cab not being endowed with a tolling device - a price that does not change depending on the route or the time spent in traffic. In addition, Black Cab can provide services such as rental by hour, personalized airport / train station pick-up or "wait and return" service.

38. Uber entered the market, first in Bucharest in 2015, a year later following the cities of Cluj, Brasov and Timisoara. According to the information available, about 10% of taxi customers have migrated to Uber at the level of the capital city of Bucharest.

39. In all the cities where it is present, although there has been an important opposition from traditional taxi carriers who have accused the company of unfair competition and sought to regulate its business, it continues to function successfully.

40. Recently, Uber introduced in Romania the concept of "upfront pricing", the opportunity granted to the client to see the exact fare before placing an order. Until now,

users could only see a tariff estimate. Once the destination is entered, the application tariff will show an exact amount, including: distance to destination, any stops, estimated time based on historic traffic values, dynamic pricing (when applicable), and any promotional discounts.

41. When entering the market, Uber's tariffs were relatively similar to those applied in the usual taxi area, a feature that has been currently preserved. An essential distinction is the dynamic, variable rate, which occurs when demand boosts fast to the detriment of the current market offer at that time and it is determined on the basis of a calculation algorithm. The application displays the exact amount as well as the message that the tariffs are higher due to the increase in demand and in the event that the dynamic tariff exceeds three times the basic tariff, users are notified expressly requesting their confirmation.

42. Another application of this type that entered a year later than Uber on the Romanian market is Taxify Company from Estonia, which serves Bucharest and more recently, Cluj city.

43. If at the beginning, the Taxify charges were about 20% lower than those charged by Uber (except for the dynamic tariff), then its tariffs came close to those of Uber. Unlike the latter, Taxify tariffs are fixed, without the possibility of "surge pricing" (dynamic / variable rate depending on the demand and supply level - the number of drivers actually working).

44. In the area of ride-sharing applications in Romania, besides BlaBlaCar, a company with French capital, and other such applications with Romanian capital, namely 4InCar, Autostopul and Ia-macutine, operate.

45. BlaBlaCar offers many search filters, driver information, machine details and, in particular, concrete data on the price you have to pay for your trip.

46. In the case of 4InCar, the principle of use is similar to that of BlaBlaCar, allowing for a filtering of the results to the order made, including the permission to carry children or the presence of a bicycle carrier. But there are major differences with BlaBlaCar.

47. Firstly, there is no amount directly requested to make such a travel, as there is no mention of the cost of the transport. And in the case of 4incar, as in the case of the Iamacutine, the price is negotiated with the driver after the contact has been initiated.

48. Secondly, the service allows a customer to contact a driver by phone without having an account, a less beneficial element for drivers enrolling in the platform, as they cannot have any guarantee over the customers who call them through this method.

49. Hitchhike, like BlaBlaCar, allows the driver to set a specific price for the ride, according to his own preferences.

50. In conclusion, the Romanian Competition Authority supports any technical solution able to develop the market by offering new, innovative alternatives that facilitate market access for both for the suppliers and beneficiaries. This does not mean, in any way, the removal of the current traditional forms of passenger transport, which address a large category of consumers (those less familiar with modern technology).

Table 1.

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Director DREC	Doina Ion Tudoran		02.05.2018
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