

**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 Consumers International**

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This document reproduces a written contribution from Consumers International 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](http://www.oecd.org/daf/competition/taxis-and-ride-sharing-services.htm)

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## *Consumers International*

### **1. Modification of the current regulatory framework applied to traditional taxi services**

1. From a consumer perspective it is worth stripping back the issue of the modification of existing regulatory frameworks to identify the aim and motivation of the regulations. For example, maximum prices were established from the very earliest incarnations of transport regulation in response to the problem of overcharging unwary consumers, or indeed raising prices part way through a journey and holding passengers hostage. This practice was so common that the first regulation of water taxis in the C13th focused on capping prices.

2. The reason pricing regulation became central to every iteration of transport regulation is that the consumer is at a disadvantage in contracting for transport services. Non-residents of a town are unlikely to be aware of distances between locations, nor the fastest or cheapest routes. Taxi use tends to be relatively infrequent and often bespoke to the individual trip, so consumers are unlikely to be able to develop strong reference pricing knowledge. It is also the case that pricing knowledge from one city may not translate easily into another. For example, experience of the zonal pricing system in Washington DC is of little use in distance/time meters elsewhere in the world.

3. We think that regulators also need to identify the drivers of consumer unfriendly behaviour in the taxi market before considering relaxing regulations on established players. One of those drivers is the need in a number of jurisdictions for taxi or minicab drivers to rent equipment or vehicles from taxi operators. In such circumstances each driver is in debt before they start their working day. This skews their behaviour towards trying to get the highest value customers they can to quickly get themselves out of the debt they start their day in. This tends to lead to oversupply at key transport terminals where consumers are more likely to need longer, higher value, journeys. The converse is that consumers in many other areas of cities often find limited supply or indeed, none. Supply and demand is not efficiently matched and the market delivers oversupply for some consumers and undersupply for others.

4. Consumers of legacy taxi suppliers often face quite complex and difficult processes to get redress. These redress mechanisms are designed to deal with problems such as overcharging on the correct fare band, and taking long routes to inflate meter costs. The 'solution' that new technologies provide for such practices is clearly an advance on current arrangements. GPS tracking allows any disputes about routing, fare bands and the like to be sorted out very quickly. However, the existence of new technology solutions to this consumer problem does not mean that legacy operators can have the controls on their activities lessened as a result.

5. Consumers' organisations are not opposed to regulators revisiting taxi regulation, however, it has to be recognised that those regulations emerged from a negotiated process between regulators and taxi operators. This negotiation sometimes focused on real consumer harm, and sometimes focused on protecting incumbents from competition. Separating out the motivation and impact in individual regulations is far from straightforward. If the consumer has no voice in the renegotiation of those regulations we fear that they will simply be recaptured by the taxi industry. Recent experience in the

regulation of taxi services in a number of cities, such as London, for example, would bear this out.

## **2. The competitive impact of alternative business models of ride-sourcing/ride-sharing platforms (e.g. decentralized platforms)**

6. Different models already exist for decentralized platforms. For example, Bla Bla Car provides such a model usually for longer journeys.

7. Consumers' organisations would have some concern with regulatory agencies attempting to create markets for products that do not emerge organically. The emergence of ride sharing and alternative transport providers emerged from well-established consumer disquiet with the taxi market. The design of the apps targeted a number of those concerns and various features of the apps dealt with specific concerns consumers had. In turn, the emergence of surge pricing, and its possible abuse or manipulation raised further consumer disquiet, which a number of the app developers addressed in a number of ways. More sophisticated consumers have generally been able to navigate these developments and judge them in the marketplace.

8. A number of theoretical discussions have occurred about whether totally decentralized platforms will emerge and offer consumers another alternative. However, this discussion is rather divorced from the reality of taxi and ride share consumption and profoundly ahistorical. The problem is an infrequent purchase by consumers in market with significant information asymmetries has not been removed by technological developments. Those technologies have provided new and innovative solutions to those problems rather than replaced them. Moving to a totally decentralized price setting model runs the risk that consumers will end up either being overcharged or somehow discriminated against.

9. One of the key benefits to consumers of the emergence of ride sharing apps has been the ability to develop reference prices that are based on a much wider data set. This data set may include international travel or travel between cities within the same country. In either case, consumers have more information to enable them to judge performance and price offers. This has helped remove the need for more rigid price regulation of app-based competitors as anomalies are easily identified and feedback loops are generally quicker and more sensitive to consumer input.

10. Totally decentralized price setting platforms will simply update the mechanism by which consumers are harmed in the marketplace.

## **3. The challenges new ride-sourcing and/or ride-sharing providers can raise from a competition law enforcement perspective**

11. Consumers' organisations are concerned about the intersection of competition policy and privacy considerations. There appears to be an assumption that algorithms are effective tools to deliver the theoretical benefits of first degree price discrimination. However, evidence is never provided to support this hypothesis. As price discrimination can produce significant problems for consumers, both individually and collectively we think that greater care needs to be taken when assuming theoretical benefits may be delivered. In transport services the likelihood of any price discriminating monopoly

benefitting consumers is largely theoretical. An app based firm knows the willingness to pay of its users, by logging willingness to pay surge prices, is comfortable it can stop arbitrage and has a degree of market power over its customers. The bespoke nature of journeys also makes market transparency less effective than in normal circumstances. It is thus not an unreasonable position to argue that first degree price discrimination may offer more risks than benefits to consumers.