

## **Anticipated acquisition by Uber International B.V., a wholly owned subsidiary of Uber Technologies, Inc., of GPC Computer Software Limited**

### **Summary of the CMA's decision on relevant merger situation and substantial lessening of competition**

**ME/6903/20**

1. The Competition and Markets Authority (**CMA**) has found that the anticipated acquisition by Uber International B.V., a wholly owned subsidiary of Uber Technologies, Inc. (Uber International B.V., Uber Technologies, Inc., and/or their affiliates, **Uber**) of GPC Computer Software Limited and its subsidiaries (**Autocab**) (the **Merger**)<sup>1</sup> is not likely to result in a substantial lessening of competition in any market in the UK.
2. Uber's main business is the provision of ride-hailing services: it develops and operates technological applications that connect consumers with drivers.
3. Autocab primarily develops and supplies two types of software for taxi services.
  - (a) Booking and dispatch technology (**BDT**) enabling taxi companies to connect drivers to end customers. BDT includes the dispatch system, white label passenger apps, driver companion apps and automated phone systems.
  - (b) The iGo network (**iGo**) which connects demand for taxi trips (generated by a party that cannot satisfy the demand, usually known as an 'aggregator') with supply for taxi trips. Taxi companies use iGo when demand arises for services outside their service area or when customer demand exceeds the number of drivers they have available. Other aggregators use iGo because they do not supply taxi or private hire vehicles (**PHVs**) themselves but have customers who require such

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<sup>1</sup> Uber and Autocab are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.

services; these companies include travel companies and emergency transportation companies.

4. The CMA has jurisdiction to review a merger where either (a) the target company generates more than £70 million of turnover in the UK (the turnover test); or (b) the merger results in the Parties having a share of supply of goods or services of any description in the UK of 25% or more (the share of supply test). Autocab's revenues do not meet the turnover test, however, the CMA has concluded that the Parties together have a share of more than 25% in the supply of BDT in the UK. Although there are differences in the BDT supplied by the Parties (with Uber only self-supplying its BDT), the CMA found that there is sufficient overlap in the core components of the Parties' BDT services to consider these services to overlap for the purpose of the share of supply test. Therefore, the CMA has concluded that it has jurisdiction to review the Merger.
5. The CMA's investigation considered whether the Merger would lead to:
  - (a) a loss of competition between the Parties to supply BDT services and referral networks in the UK either today or in the future (ie horizontal unilateral effects); or
  - (b) harm to the competitiveness of taxi companies through a decline in the quality of the BDT services and referral network (iGo) that Autocab currently supplies to them (ie vertical effects).
6. As part of its investigation, the CMA reviewed a substantial volume of internal documents from each of Uber and Autocab, and considered detailed submissions from other market participants such as taxi companies, competing BDT suppliers and competing ride-hailing suppliers including 99 responses to the CMA's invitation to comment, 55 questionnaire responses, and seven calls with third parties to gather their input. This significant and detailed engagement from third parties played a substantial role in helping the CMA to understand how competition works in the relevant markets.

***Horizontal unilateral effects in the current and future supply of BDT and networks in the UK***

7. The CMA found that Uber and Autocab do not compete directly. The CMA however believes that Uber and Autocab compete 'indirectly'. Autocab does not compete with Uber to attract passengers or drivers to use Autocab's products (and Uber does not compete with Autocab to provide BDT services to taxi companies). Instead, Autocab sells its technology to taxi companies who then use that technology to attract passengers and drivers in competition

with Uber, other ride-hailing companies, and other taxi companies. Evidence from internal documents and third parties indicated that BDT is an important input for taxis to compete with rivals including Uber. The CMA considered the competitive constraint provided by Uber with respect to product quality and innovation; the evidence did not suggest that Uber constrains the price that Autocab charges for its products.

8. Although the CMA found that there was some indirect competition between Autocab and Uber, the evidence both from the Parties' internal documents and from third parties showed that Autocab faces a substantially stronger constraint from its BDT rivals than it does from Uber or other ride-hailing apps. The evidence also indicated that Uber is not constrained by Autocab, but is constrained by competing ride-hailing companies. To the extent Uber looks at competition from local taxi companies, the evidence indicates that it does not look at factors relating to their BDT services or referral networks, but instead considers how they market themselves to passengers in terms of things like safety. Competition from other BDT suppliers and ride-hailing companies will continue to constrain the Parties in the development and delivery of their BDT services following the Merger.
9. Consequently, the CMA considers that the current competition between the Parties is limited. Following the Merger, the Parties will continue to face sufficient competition from other BDT suppliers and ride-hailing rivals.
10. The CMA considered whether the future development of Autocab's products could make the Parties closer competitors such that the Merger would eliminate an important future constraint.
  - (a) The CMA considered whether Autocab could be expected to develop its own consumer-facing app that would compete directly with the Uber app. There was no evidence to suggest this was likely to happen. Autocab has released a consumer-facing app in the past, but withdrew it following low take up and complaints from its taxi customers that Autocab was competing directly with them through the app. There is also no evidence to suggest that an app, even if successful, would pose a significant additional constraint on Uber.
  - (b) The CMA also considered whether, using its iGo referral network, Autocab could potentially compete directly with Uber for work from corporate accounts or other large purchasers of taxi services. However, the available evidence does not indicate that iGo would grow to become a significant competitor to Uber. iGo's growth has been slow to date and evidence does not suggest that this would have materially changed absent the Merger. Autocab is also facing a growing competitive threat

from referral networks being developed by competing BDT providers such as iCabbi and Cordic, as well as ride-hailing and taxi companies in this space.

- (c) Finally, the CMA assessed whether iGo would develop into a network that taxi companies and aggregators would use to compete against Uber. Evidence from taxi companies and aggregators indicated that iGo has the potential to grow and compete more strongly against Uber. However, the CMA found that this was not supported by other sources of evidence. In particular Autocab's plan for growth relies on bringing in more aggregators onto the network. There is significant uncertainty regarding the scale of any growth for aggregator demand (as well as the geographic scope of such growth) and some third parties were sceptical about iGo's growth potential. The CMA also notes that there are a number of credible alternative referral networks being developed by competitors alongside iGo .

11. As a result of the above, the CMA found that there is no realistic prospect of a substantial lessening of horizontal competition between the Parties.

***Vertical effects arising from foreclosure of taxi companies and aggregators using Autocab's offering***

12. In assessing vertical effects, the CMA considers first whether the Merged Entity would have the ability to foreclose downstream competitors (in this case the taxi companies that use Autocab's services). If the CMA finds that the Merged Entity would have the ability to foreclose downstream competitors, it then goes on to assess whether the Merged Entity would have the incentive to foreclose downstream competitors and how that foreclosure would affect competition.
13. The CMA has considered two questions in assessing whether the Merged Entity would have the ability to foreclose taxi companies and aggregators using Autocab's offering:
- (a) as a technical matter, could the Merged Entity change the price, quality, or other aspects of Autocab's offering and/or use commercially sensitive data of Autocab's taxi customers in a way that would harm those customers by causing their drivers and/or passengers to switch to competitors (such as Uber); and
  - (b) if the Merged Entity could degrade the Autocab offering, would Autocab's customers be able to avoid this degradation (eg because they could switch to another supplier).

14. As BDT only accounts for a small proportion of taxi companies' costs, the CMA believes that the Merged Entity's ability to harm Autocab's taxi company customers by raising their cost would be limited. Taxi companies told the CMA, however, that the quality of BDT services is important to them and the CMA considered whether the Merged Entity could reduce the quality of those services. The CMA considered that it would be possible for the Merged Entity to degrade the quality of Autocab's products and that, at least in theory, it would be possible to offer a lower quality product in areas where Uber is currently strong, while maintaining a higher quality product in areas where Uber is currently weak or not present. The CMA also considers, however, that any degradation in the quality of Autocab's services would need to be significant in order to cause passengers and/or drivers to switch from Autocab's taxi company customers to competitors (such as Uber).
15. The CMA went on to consider whether taxi companies would have the ability to switch to other BDT suppliers if the Merged Entity tried to degrade Autocab's services. The CMA found that there are sufficient alternative BDT providers for taxi companies to switch to in the event of a material degradation. The CMA also found that, while taxi companies might face some barriers to switching (such as business disruption, complexity of the process and the time involved to complete the process), the costs of switching are relatively low and a significant number of taxi companies have switched BDT suppliers in the past, or told the CMA that they would be able to do so in the future if there was a change in Autocab's offering. The CMA therefore believes that, although the Merged Entity might be able to reduce the quality of Autocab's BDT services, it could not foreclose taxi companies because those companies could switch to other BDT suppliers such as iCabbi and Cordic.
16. The CMA also considered the concerns raised by a number of third parties that the Uber business would have access to commercially sensitive information of taxi companies who use Autocab's BDT and could use this information to put these taxi companies at a competitive disadvantage. The CMA notes that most of the concerns expressed related to Uber using such information (including to prices charged, areas of peak demand and to under- or over-supplied areas), to compete more aggressively, for instance by offering lower prices or shorter waiting times. While Uber using data to compete more aggressively with taxi companies in ways that benefited passengers would not raise competition concerns, the CMA would be concerned about the possibility that such data could be used to foreclose taxi companies (or to compete less aggressively than Uber otherwise would). The CMA found that, while Uber may have the ability to access this information, if

this were to occur taxi companies would have the ability to switch to other BDT providers, and that there are sufficient alternatives available.

17. The CMA further considered whether by raising the price or reducing the quality of iGo, the Merged Entity might foreclose aggregators such as travel companies and emergency transport companies that use referral networks to book taxis. Third party aggregators identified a number of alternatives to Autocab and all responding aggregators indicated that they already connect to multiple referral networks. The CMA therefore believes that the Merged Entity would not have the ability to foreclose aggregators because aggregators use alternatives and do not face major difficulties in integrating into new networks.
18. Since the CMA concluded that the Merged Entity would not have the ability to foreclose taxi companies or aggregators, it did not go on to assess whether the Merged Entity would have the incentive to foreclose these downstream competitors, or the effect of such foreclosure. The CMA found that there is no realistic prospect of a substantial lessening of competition as a result of the foreclosure of taxi companies or aggregators following the Merger.

## **Decision**

19. The CMA does not believe that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition within a market or markets in the UK.<sup>2</sup> As a result, the CMA has decided to not refer the Merger for a phase 2 investigation.

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<sup>2</sup> That is, the Merger does not meet the test for referral set out in section 33(1) of the Enterprise Act 2002.