MEDIA RELEASE

11 July 2024

CCCS Issues Provisional Decision on Grab Holdings Limited's Proposed Acquisition of Trans-cab Holdings Ltd.

1. The Competition and Consumer Commission of Singapore ("**CCCS**") has issued a Statement of Decision (Provisional) ("**SDP**"), a step towards finding that the proposed acquisition by Grab Holdings Limited ("**Grab**") through GrabRentals Pte. Ltd. ("**GrabRentals**") of Trans-cab Holdings Ltd. ("**Trans-cab**") (collectively, the "**Parties**") (the "**Proposed Acquisition**") is likely to result in a substantial lessening of competition in the market for the supply of ride-hail platform services to drivers and passengers in Singapore (the "**Ride-Hail Platform Market**");[1] thereby infringing section 54 of the Competition Act 2004 (the "**Act**"), which prohibits anti-competitive mergers.[2]

CCCS's Review of the Proposed Acquisition

2. CCCS has found that Grab is dominant in the Ride-Hail Platform Market. Businesses are not prohibited from either having a dominant position[3] or striving to protect their market position through competitive merit (e.g., introducing innovative products). However, mergers that protect, enhance or

[1] Ride-hail platform services are intermediary services that match drivers with passengers for ride-hail trips. They are distinct from ride-hail services, which are transportation services provided by drivers to passengers through a platform using a phone or mobile application. They are also distinct from street-hail services, which are transportation services provided by drivers to passengers hailing a taxi at taxi stands or flagging down a taxi by a road (i.e. without the use of a platform). There are currently five Class 1 Ride-Hail Service Operator Licence holders – Grab, TADA, ComfortDelGro, Gojek and Ryde. A ride-hail platform operator that has less than 800 bookable vehicles on its platform is exempted from the requirement to hold a Ride-Hail Service Operator Licence.

[2] On 7 August 2023, CCCS embarked on its Phase 1 review following the acceptance of an application from the Parties for a decision on the Proposed Acquisition. On 16 October 2023, CCCS raised competition concerns with the Parties on the Proposed Acquisition after completing its preliminary Phase 1 review. Following further filing of the relevant documents by the Parties on 25 January 2024, CCCS commenced an in-depth Phase 2 review of the Proposed Acquisition. For more information on the Phase 1 review of the Proposed Acquisition, please refer to CCCS's media release dated 14 August 2023 and CCCS's media release dated 16 October 2023.

[3] Dominant businesses have substantial market power. This generally means that they do not face sufficiently strong competitive pressure and have the ability to sustain prices above competitive levels.

perpetuate the dominant position in ways unrelated to competitive merit can be anti-competitive. CCCS has found that the Proposed Acquisition is likely to entrench and strengthen Grab's already dominant position in the Ride-Hail Platform Market to the detriment of drivers and passengers.

3. CCCS notes that Grab's plans to acquire Trans-cab, which is one of the largest fleets (taxi or private-hire car) not owned by or in partnership with any ride-hail platform in Singapore, to increase the availability of drivers on its ride-hail platform comes at a time when rival ride-hail platforms are facing driver supply shortages.

4. The Proposed Acquisition will significantly weaken Grab's rival ride-hail platforms by depriving them of an important source of drivers (i.e. Trans-cab drivers). Data analysed by CCCS indicates that drivers who rent from ride-hail platform-owned fleets tend to use more of that ride-hail platform as compared to drivers who do not rent from such fleets (i.e. the former group of drivers are less likely to use a platform that is different from the one they have rented their vehicle from). There are also various strategies which may be employed by Grab to induce Trans-cab drivers to increase their usage of Grab's ride-hail platform. The Proposed Acquisition is thus expected to result in a greater degree of "stickiness" of Trans-cab drivers to Grab's ride-hail platform and a potential reduction in usage of rival ride-hail platforms. Consequently, rival ride-hail platforms' access to Trans-cab drivers post-merger is likely to be significantly restricted.

5. It may be difficult for rival ride-hail platforms to replace any loss of Trans-cab drivers on their respective ride-hail platforms in a timely manner due to:

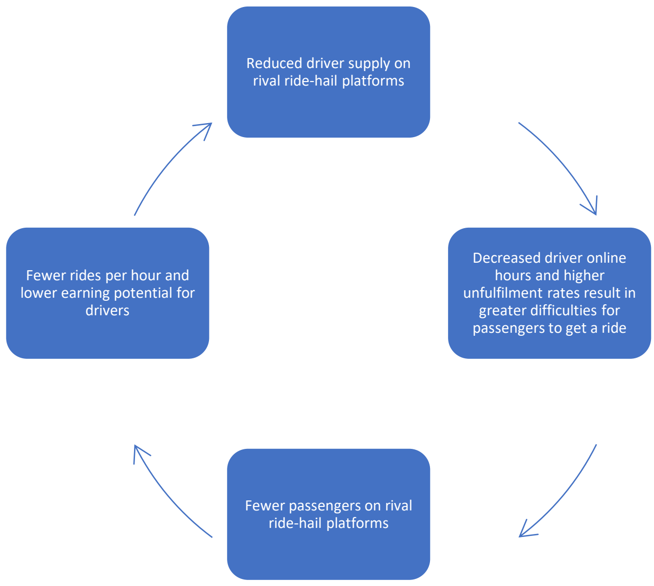
   a. Driver supply shortages faced by rival ride-hail platforms;
   b. "Stickiness" of drivers to certain ride-hail platforms;
   c. Lack of major non-affiliated taxi or private-hire car fleets to partner with;[4]
   d. High cost of fleet ownership and expansion; and
   e. High cost of driver incentives.

6. Therefore, the Proposed Acquisition is likely to (a) affect the ability of rival ride-hail platforms to fulfil trip requests and, over time, make them less attractive to passengers and drivers due to indirect network effects (i.e. drivers tend to prefer ride-hail platforms with a larger number of passengers, and passengers tend to prefer ride-hail platforms with a larger number of drivers) (**<u>as shown in Figure</u>**

[4] Drivers may either rent taxis from taxi fleets, rent cars from private-hire car fleets or use their own cars to provide ride-hail services.

A below)[5] and (b) affect the ability of rival ride-hail platforms to expand the scale of ride-hail platform services offered. This will weaken competitive constraints exerted by rival ride-hail platforms on Grab.

Figure A: Degradation of quality of rival ride-hail platform services



7. If competition constraints on Grab from rival ride-hail platforms are weakened, drivers and passengers could face higher prices (in the form of higher commissions and fees net of incentives)[6] and fewer choices for ride-hail platform services. Grab has also recognised that through the Proposed Acquisition, it will likely be able to significantly save on the incentives that it would have to pay to drivers as compared to if it employed alternative means to increase driver supply.

Next Steps

8. While the SDP is not a final decision, we welcome the Parties to offer solutions to address the competition concerns raised, before CCCS makes a final decision whether to clear or block the Proposed Acquisition at the end of the

[5] Indirect network effects occur when a platform depends on two or more user groups. As more people from one group join the platform, the platform becomes more valuable to users in the other group. This is different from direct network effects, which occurs when the value of a platform to users in a group increase because of more users in the same user group.

[6] Grab earns revenue from drivers in the form of commissions and fees net of incentives, and earns revenue from passengers in the form of fees net of incentives.

Phase 2 review. The Parties now have 10 working days from the receipt of the SDP to make their representations to CCCS. CCCS will then decide whether to issue a favourable or unfavourable decision, after consideration of the representations, as well as all available information and evidence.

9. For more information on the merger review process in Singapore, please refer to **Annex 1**.

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About The Competition and Consumer Commission of Singapore

The Competition and Consumer Commission of Singapore ("**CCCS**") is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act 2004 which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act 2003 which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for businesses and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

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ANNEX 1

About the Section 54 Prohibition under the Competition Act & Merger Procedures

Section 54 of the Competition Act 2004 ("**the Act**") prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition in Singapore.

Merging entities are not required to notify CCCS of their merger but they should conduct a self-assessment to ascertain if a notification to CCCS is necessary. If they are concerned that the merger has infringed, or is likely to infringe, the Act, they should notify their merger to CCCS. In such cases, CCCS will assess the effect of the merger on competition and decide if the merger has resulted, or is likely to result, in a substantial lessening of competition ("**SLC**") in Singapore.

Separately, CCCS has the ability to conduct an investigation into an un-notified merger if there are reasonable grounds for suspecting that the merger infringes section 54 of the Act. In the event CCCS finds that a merger situation has resulted or is expected to result in an SLC, CCCS has powers to give directions to remedy the SLC. For example, CCCS can require the merger to be unwound or modified to address or prevent the SLC, as the case may be. CCCS may also consider issuing interim measures prior to the final determination of the investigation.

Phase 1 and Phase 2 Merger Review

A Phase 1 review entails a quick review and allows merger situations that do not raise competition concerns under the section 54 prohibition to proceed. CCCS expects to complete a Phase 1 review within 30 business days. By the end of this period, CCCS will determine whether to issue a favourable decision and allow the merger situation to proceed. If CCCS is unable, at the end of the 30-day period, to conclude that the merger situation will not result in a substantial lessening of competition, CCCS will inform the merger parties and the merger parties may file further information and supporting documents as listed in Form M2. Upon receipt of Form M2, CCCS will proceed to a Phase 2 review.

A Phase 2 review entails a more detailed and extensive examination of the merger situation. While the principles of substantive assessment are the same, CCCS will require access to more extensive and detailed information regarding the merger parties and the markets in question.

As the Phase 2 review is more complex, CCCS will endeavour to complete a Phase 2 review within 120 business days.

Commitments

Section 60A of the Act states that CCCS may, at any time before making a decision as to whether the section 54 prohibition has been or will be infringed, accept commitments that remedy, mitigate or prevent the substantial lessening of competition or any adverse effect arising from the merger situation. Where CCCS has accepted a commitment, CCCS will make a favourable decision.

Further details can be found in the CCCS Guidelines on Merger Procedures.

For more information, please visit www.cccs.gov.sg.