

**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 Turkey****4 June 2018**

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1. The Use of New Technological Tools in the Transportation Services

1. Technology affects the environment, people and the society as a whole. It affects every aspect of our lives and keeps changing our world. New technological tools try to make our lives better and our daily life easier.

2. One of the most critical sectors affected by technological development is transportation. It changes the vehicle that we use for transportation, it changes the method of transportation and it changes our understanding on transportation. Therefore, we can safely state that traditional transportation methods are becoming inadequate to meet the demands of people who want more reliable, faster and flexible transportation.

3. There are different types of technological tools used in the field of transportation. These are pricing algorithms, employing surge pricing and the appearance of centralized and decentralized platforms

4. Pricing algorithms could also be used in transportation market. Algorithmic pricing is the practice of automatically setting the requested price for items for sale, in order to maximize the seller's profits. Pricing algorithms usually rely on information about potential customer, prices of competitors and the business strategy of seller. These algorithms can offer different prices for each customer which results in extracting the entire surplus away from the consumers to the transportation companies. By employing this method, transportation companies can increase their profits at the expense of consumers. Another matter in pricing algorithm is abuse of personal data. For offering optimal price to customers, companies using pricing algorithm need to collect personal data of customer. This data could be used for the interests of company to create influence on customer. Pricing algorithms could be used for tacit collusion as well. Companies could use the same calculation method which makes the prices same to fix prices. These algorithms could also be used to monitor competitors' and retailers' prices which could affect competition horizontally or vertically. Though all these negative conclusions, pricing algorithms could also have positive affect on market. Algorithms could be used for creating efficiency in transportation market with being used to determine optimal price that pay regard the interests of both sides.

5. New pricing methods used in transportation service like Surge Pricing are also important. Surge pricing method can be observed in practice when the increase in demand or decrease in supply is followed by an increase in prices and the customers are left with the choice of paying a higher than average price or not using the service at all. For example, in a bad weather, in rush hours or in special event times demand for taxi increases. If the taxi fee changes according to demand, customers are obligated to pay more or they look for alternatives for transportation. By employing Surge Pricing, the prices also increase if there are not enough drivers at a specific time. Companies use Surge Pricing to maximize their profits without considering negative effects on customers.

6. With the help of new technologies, centralized platforms (CPs) have started to be used in transportation service. CPs, like Uber, determine general rules for service, transportation fees, technical specification of vehicles and working area for drivers. These

platforms could be vicious for transportation market. Setting price for independent drivers and allocating a working area or a specific customer group could decrease consumer welfare and might be an infringement of competition law. But if the number of CPs is abundant, CPs could create improve competition by offering lower fees, increasing the quality of their service and improving the accessibility of the services by more people.

7. Decentralized platforms (DCPs) are also being used in transportation business. DCPs have a basic role in transportation service and that is to build a platform, which brings drivers and customers together. Service is operated with peer-to-peer communication and the fee, route and other rules regarding transportation determined mutually between driver and passenger. The negative aspect of DCPs is the lack of supervision of drivers by DCPs, which could result in low customer satisfaction.

2. Transportation Rules and Status of Ride Sharing and Ride Sourcing Platforms in Turkey

8. Transportation is very crucial for all countries as cities are becoming more crowded and new solutions are required to solve transportation problems. Demand for all kinds of transportation continuously rises due to the expansion of the economy and the population growth. There are various alternatives for public transportation such as bus, minibus, subway and ferry but for the private transportation, there is only one alternative except your own car and it is taxi.

9. In Turkey, it is the Ministry of Transport, Maritime and Communications' (MoT) duty to regulate intercity transportation and construct intercity roads like highways and motorways. However, intra-city transportation rules are regulated by local municipalities. Local municipalities' regulatory duties include determining the number and standard of vehicles, organizing transportation routes and times (for public transportation), setting fees and giving licenses (In line with the provisions of the Acts No. 5393 and 5216). This means Turkish system is no different than its peers in such a way that the barriers to entry into the local transportation markets such as the number of taxi plates issued, safety, technical and insurance requirements for taxi vehicles and taxi drivers, and taxi fees are determined by local municipalities. Even the colour of taxis is regulated.

10. The number of taxi plates issued by local municipalities remains constant for a long period of time. For example, the number of taxi plates issued in Istanbul remained unchanged at 18.000 since 1966 even though the population of Istanbul increased from 2.3 million to 18 million. There are various opinions on the issue of the unchanged number of taxis in a given city over a long period. According to the official rhetoric which is also the traditional rationale behind the taxi industry's regulations, Istanbul is highly congested and increasing the number of taxis would worsen the traffic. While according to the public opinion, it is claimed that taxi owners have strong lobby on governments and municipalities, thus number stays constant over a long period to protect the interests of taxi license owners. As long as the number of taxi plates issued remain unchanged, so does the number of taxis, local people using taxi services might suffer from the possible quality decreases and price increases.

11. Like in other countries, there is tension between taxis and taxi platforms (ride sharing services), mainly Uber.

12. There have been some efforts by the government to solve the tension between Uber and taxi drivers. The Ministry of Customs and Trade has prepared a report

about Uber, which states that a “sound *regulation*” is needed for application-based ride sharing services and the “*legal voids*” regarding the operation of the ride-hailing platforms in Turkey should be sorted out.

13. There has only been one antitrust case involving a ride sharing application in Turkey. In that case Bitaksi (an online (Istanbul) local taxi hailing application) was accused of abusing its dominant position by creating an unfair practice via its app over the customers who do not upload the same app. In its decision, Turkish Competition Authority dismissed the claim by stating that mobile taxi calling app market is a new and an emerging market, there are alternative taxi hailing applications, there is no entry barrier, therefore there is yet no need to carry out a dominance assessment for any particular app. TCA also evaluated that even if it is accepted Bitaksi is in dominant position in a relevant market, there is no evidence abusing of its dominant position (Decision No. 14-23/462-200, Date 02.07.2014).

3. Operations of Ride-sharing Companies in Turkey

14. Uber currently provides two types of its services: UberTaxi and UberXL in Turkey. UberTaxi service is similar to a traditional taxi where users call a taxi through Uber. In UberXL service, users summon a minivan. In Istanbul, 3,000 taxi drivers also work as UberTaxi drivers. Currently, there is no UberPop in Turkey where drivers are unprofessional drivers.