

# Kluwer Competition Law Blog

## How FAS Russia Treats the Taxi Services Market: Uber Case

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### Introduction

Uber Technologies Inc. is an American transportation network company headquartered in San Francisco, California. It develops, markets and operates the Uber mobile app, which allows consumers with [smartphones](#) to submit a trip request, which is then routed to Uber drivers who use their own cars.

Since entering Russia in 2013 with just a few cars signed up to its service, Uber has expanded rapidly. In April 2016, it entered two new Russian cities, Ufa and Nizhny Novgorod, taking the total to 10. It aims to cover about 40 major Russian cities in the near future. There are two main competitors of Uber on the Russian online-aggregators market – Gett and Yandex.Taxi.

Since entering the Russian market, Uber has generated heated discussion among all those involved, in particular between taxi drivers, the Government of the Russian Federation and regulatory authorities. In this article, we consider the legal consequences of Uber's entrance to the taxi transportation market in Russia, and discuss what position the antimonopoly authorities took in relation to the respective market and its participants.

### Complaints from the taxi drivers

In July 2015, the Federation of Russian Car Owners (hereinafter – the **FAR**) filed a complaint on behalf of taxi drivers to the General Prosecutor, the Public Chamber, and the Federal Antimonopoly Service (hereinafter – the **FAS**) with the request to check the activities of the online-aggregators operating in the taxi transportation market: Uber, Gett and Yandex.Taxi.

The FAR's representatives accused the companies for abuse of dominant position by decreasing prices and monopolizing the taxi transportation market. Moreover, they stated that Uber, Gett and Yandex.Taxi created illegal competition on the market. It was indicated that the companies have no cars of their own and do not hire drivers, but sign partner agreements with companies that provide cars under taxi lease contracts. It is the FAR's opinion that these actions allow the companies to set monopolistically low prices. They also mentioned that such pricing tactics require other taxi market participants (i.e. taxi drivers) to adopt unprofitable pricing in order to compete with Uber, Gett and Yandex.Taxi.

The FAS started an investigation and sent requests for information to the companies in order to understand the structure of the market. In October 2015, the FAS indicated that they do not

consider that Uber, Gett and Yandex.Taxi occupy a dominant position in the transport market. The FAS's representative declared that the companies' main type of business activity is the collection and transfer of information between users of taxi services and carriers.

The FAR's representatives did not agree with the decision of the FAS and filed a complaint to the Prime Minister, Dmitry Medvedev, over the low prices dictated by taxi service aggregators and the FAS's refusal to initiate an official case. Nevertheless, the position of the FAS in respect to market definition did not change even after this appeal to the Prime Minister.

### **Tariffs for the online-aggregators**

In April 2016, the Ministry of Transport made amendments to the bill *On state regulation of taxi transportation*, wherein the Ministry intended to oblige the online-aggregators (i.e. Uber, Gett, and Yandex.Taxi) to negotiate the tariffs with the taxi carriers.

The Head of the FAS, Igor Artemiev, did not support these amendments and indicated that such actions could be considered to be an anticompetitive horizontal agreement (cartel), the conclusion of which could result in the restriction of competition on the taxi transportation market.

Igor Artemiev also noted that the competition law not only prohibits the authorities from creating a cartel, but also from coordinating the attempts of such illegal actions.

### **Licenses for the taxi drivers**

In February 2016, the Moscow transportation department threatened to ban Uber unless the company agreed to special terms established by the collaboration agreement.

The agreement has two main provisions. One is that Uber agrees to work only with licensed taxi drivers who have a state permit to drive a taxicab. The second is that the agreement obliges Uber to share their car movement data with the city's transportation authorities.

In March 2016, Uber pledged to only hire Moscow drivers with commercial taxi licenses and to share aggregated data on travel routes with city authorities.

The data on Uber cars and their movements around the city is supposed to be passed on to the Moscow city government's traffic organization center, which the transportation officials believe will improve the work of the city's new intelligent transportation system. This system pools data from the municipal transportation networks and monitors traffic in real time.

Similar agreements had been signed earlier with taxi services Gett and Yandex.Taxi.

### **Conclusion**

Despite the heated discussion that appeared after Uber entered the Russian market in 2013, we cannot ignore the positive impact of the online-aggregators (i.e. Uber, Gett, and Yandex.Taxi) on the Russian taxi market.

Moreover, it cannot be denied that the FAS supports the online-aggregators by promoting the benefits of innovation and competition.

What is clear is that the on-demand ride market facilitated the driving down of prices on the whole

taxi market that certainly had a good impact upon end consumers.

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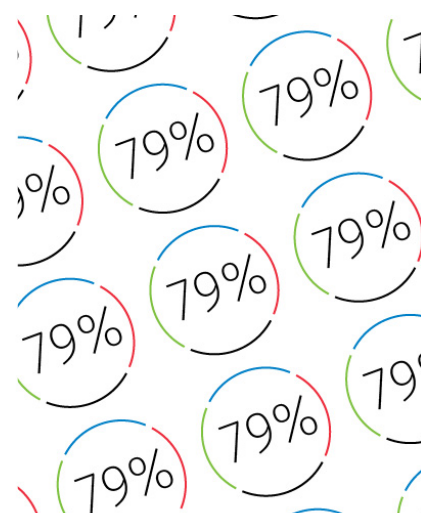
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