

Name: _____ () Class: _____ Date: _____

Raffles Institution
Year 3 Social Studies
Source-Based Case Study Practice 2

1 Government and Governance

Study the Background Information and the sources carefully, and then answer **all** questions.

You may use any of the sources to help you answer the questions, in addition to those sources which you are instructed to use. In answering the questions, you should use your knowledge of the issue to help you interpret and evaluate the sources.

(a) Study Source A.

Why did the interviewee say this? Explain your answer. **[6]**

(b) Study Sources B and C.

How similar are these two sources? Explain your answer. **[7]**

(c) Study Sources D, E and F.

How far can you trust Source D's stance on the necessity of government intervention in the ride-hailing industry? Explain your answer. **[7]**

Should the Government regulate the ride-hailing industry?

BACKGROUND INFORMATION

Read this carefully. It may help you to answer some of the questions.

Uber and Grab are technology companies that offer transport services through online booking platforms. They help passengers find drivers to bring them to a destination in a process known as ride-hailing. For many months, sustained competition between these two companies allowed passengers to enjoy attractive fares and discounts, and ride-hailing drivers enjoyed high earnings as both Grab and Uber spent large amounts of money to dominate the market. However, in March 2018, Uber announced that it was exiting Southeast Asia and that its business in the region would be taken over by its rival Grab. While the merger was good news for Grab and its partners, it also raised concerns from both passengers and drivers that Grab now had a monopoly which would give them the ability to drive prices higher for riders, take a higher percentage of their drivers' earnings, and limit drivers' options as they would have no choice but to work with Grab.

Following these complaints, the Government appointed the Competition and Consumer Commission of Singapore (CCCS) to investigate the deal on 27 March 2018, believing that the merger had infringed competition laws. If found guilty, both companies could face a fine and other restrictions. Over the course of the investigation, various stakeholders debated whether government intervention was necessary.

Study the following sources to assess whether the government should regulate the ride-hailing industry.

Source A: Adapted from an interview with the owner of Prime Company, which has an exclusive arrangement with Grab for its taxi drivers to secure rides through Grab's booking platform, featured in the Straits Times on 10 May 2018.

For the past four years before the merger, Uber and Grab have been burning cash to win over market share. They were selling a service worth \$1 at \$0.20. Are they expected to continue burning cash until they both collapse? We must understand that this cannot go on forever. What Grab is doing after the merger is not fares rising, but fares being set at what they should have been in the first place.

Source B: A speech in Parliament by Member of Parliament Mr Ang Hin Kee, executive adviser to both the National Taxi Association and the National Private Hire Vehicles Association, on 15 May 2018.

The sudden Uber and Grab merger announcement followed very quickly by Uber's quick exit caught everyone by surprise. Freelance drivers were not sure how their livelihoods would be affected. Many had signed on to these ride-hailing apps to make a living. Some even changed jobs, bought a car or leased it long term to enter this market. They were perhaps lured by the promise of flexibility and good income. With Uber's sudden exit, there was no one to turn to as Uber's offices were closed, and their senior management were uncontactable. The whole episode left a bitter aftertaste. How will we know if freelancers embarking on the gig economy or availing themselves to such platforms will not be left to deal with another Uber disappearing act?

Source C: A forum letter to the Straits Times published in March 2018.

In the Internet world, big is generally better. By being able to expand a business with only small increases in costs, profits will ultimately rise with a company's dominance in the industry. While consumers may stand to benefit with greater efficiency, we have to guard against the risk of one or two companies monopolising the market. In the event of a merger between Uber and Grab, the new entity would certainly have a near monopoly pricing power in Singapore. I would urge the Government to review all aspects of any such deal and consider how it could adversely impact the industry's competitiveness. The consumer will certainly become the loser in such unchecked consolidation.

Source D: A statement by Grab's spokesman published in the Straits Times on 5 July 2018.

The CCCS appears to have taken a very narrow approach in defining competition. While we are one of the most visible players in transport, we are not the only player in the market. CCCS has not taken into account the dynamic developments and intense competition going on over the past few months, from both new and existing taxi and ride-hailing companies. The commission's decisions are overreaching and go against Singapore's pro-innovation and pro-business regulations in a free market economy.

Source E: A media release about the CCCS's preliminary judgement on the merger, published on 5 July 2018.

CCCS finds that Grab currently holds around 80% market share. Despite recent entry by several small companies, their market shares remain insignificant. CCCS's investigation found that strong network effects make it difficult for potential competitors to expand in the market, particularly since Grab had prevented its partner taxi and car rental companies, as well as some drivers, from working with competitors. This hampers the ability of potential competitors to get the drivers and vehicles that are necessary for expansion in the market.

Source F: From a TODAY news report, published on 7 March 2018.

A tighter regulatory regime could reduce the ability of technology companies like Grab to charge fees according to what consumers are willing to pay. Companies would also be concerned if the Government tried to stop further market consolidation, as some believe this is the only way the market can turn profitable. If you have no new entrants at all, then of course the industry may consolidate to a point where it may harm consumers' interests.

Copyright Acknowledgements:

Source A: <https://www.sgsme.sg/news/startups/regulations-needed-keep-private-hire-car-firms-honest>

Source B: <https://sprs.parl.gov.sg/search/sprs3topic?reportid=president-address-27>

Source C: <https://www.straitstimes.com/forum/letters-on-the-web/guard-against-monopoly-risk-from-uber-grab-deal>

Source D: <https://www.straitstimes.com/singapore/transport/grab-fields-strong-rebuttal-to-competition-watchdogs-proposed-infringed-decision>

Source E: <https://www.cccs.gov.sg/media-and-consultation/newsroom/media-releases/grab-uber-merger-pid>

Source F: <https://www.todayonline.com/singapore/monopoly-could-hurt-customers-uber-and-grab-fares-fleet-sizes-among-areas-regulate>