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Enforcement

Uber's Sale to Southeast Asian Rival Tests Regulators

By Lien Hoang

Uber Technology Inc.'s plans to sell its Southeast Asian business to ride-hailing rival Grab is inviting antitrust scrutiny on multiple fronts, creating a major test case for the region's young competition agencies.

Singapore and Vietnam launched investigations, the Philippines summoned the two companies for questioning, and Malaysia put both parties on notice. The regulators are asking whether the deal will lead to higher prices, fewer choices for consumers, poor service, or data privacy infractions.

The Competition Commission of Singapore, where Grab and Uber are regionally headquartered, gave the tech firms until April 4 to explain themselves. A commission spokesperson told Bloomberg Law that Singapore prohibits mergers that result "in a substantial lessening of competition."

"In this case, CCCS has reasonable grounds for suspecting that the Grab-Uber merger has infringed this prohibition," the spokesperson said.

Historic Investigation

Alice Pham, Vietnam director of the non-profit Consumer Unity & Trust Society organization, said the questions about the deal break new ground for antitrust agencies, many of them created within the past decade.

"It will be a historic thing because it's the first time that competition authorities in Southeast Asia have to deal with businesses in the digital economy," she told Bloomberg Law.

Singapore is wading into uncharted waters. For the first time, its antitrust commission proposed interim measures that would bar Grab from absorbing Uber during its investigation. The commission said it will let the companies respond before enforcing the proposal.

Manila, which in Southeast Asia was most critical of Uber's 2016 global data breach, has been equally critical of the prospective acquisition. The Philippine Competition Commission said Uber's April 8 exit of the market will give Grab a "virtual monopoly" and threatened to block the deal if the businesses are uncooperative.

"If the transaction is notifiable, Grab and Uber are not allowed to consummate the deal without PCC approval," the commission said April 2.

Firms must notify the Philippine government if their deals involve parties valued at 5 billion pesos or more, or transactions valued at 2 billion pesos or more.

Even if this sale doesn't exceed those thresholds, the commission said, "Grab and Uber are urged to allow a voluntary review to take its course before consummating to minimize the need to unscramble the deal if found to have anti-competition concerns."

Grab Cooperating

Uber agreed to swap its assets in Southeast Asia for a 27.5 percent stake in Grab and a Grab board seat for Uber CEO Dara Khosrowshahi.

Grab, the most valuable startup in the region, told Bloomberg Law it will cooperate with regulators. "We believe that the acquisition will add to, among others, the vibrant and competitive ride-hailing, delivery, and transportation spaces, and does not lessen competition," a Grab spokesperson said. "There will be greater efficiency, which would result in shorter waiting times and more earnings for drivers."

Whether the company will be seen as having a dominant share in Southeast Asia's 10 markets depends partly on the definitions regulators use, Pham said. For example, if they benchmark Grab against just the ride-hailing market, it might be easier to prove a dominant position than if they include the taxi market. Delivery services, digital payments, and the other business lines Grab could add to its offerings also factor in to market analysis.

Pham said Grab should also be required to tell regulators what it will do with users' information. Singapore's proposed measures would preclude Grab and Uber from swapping confidential information. The National Privacy Commission of the Philippines said Grab assured it "there will be no sharing of any user data" with Uber. The two rivals-turned-partners have also been summoned to meet the privacy commission this week.

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