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The Grab and Uber merger: a retrospective

Charles David A. Icasiano*
University of the Philippines

Philip Amadeus D. Libre
University of the Philippines

The Grab–Uber merger was a landmark case for the Philippine Competition Commission (PCC). Its decision to approve the merger had a far-reaching impact on passengers and drivers on both platforms. To date, no competitor of the same size and scale as Uber has emerged in the Philippines. Eight years having passed since the merger, it is time to review the approach taken by the PCC in its investigation and approval. This paper examines the appropriateness of reviewing the transaction through the lens of merger control, the gaps in the Philippine merger notification regime with respect to asset-light industries, the definition of the relevant market, and the remedies imposed and their impact on drivers and passengers.

JEL classification: G34, K21, L40
Keywords: antitrust, competition law, merger control, platforms, ride-hailing, Philippines

1. Introduction

The Grab–Uber merger[1] was a landmark case for competition authorities in Southeast Asia. In the Philippines, it was of particular importance because it was the first case subject to *motu proprio* merger review by the Philippine Competition Commission (PCC) rather than to the mandatory merger regime under the Philippine Competition Act. It was also the first major transaction in which competition concerns were highlighted in a market involving platforms.

A significant amount of time has passed since the PCC's approval of the transaction in August 2018. To date, no significant competitor of Grab has emerged. Publicly available evidence indicates that the transaction substantially increased concentration and weakened competitive conditions in the short run. During the review, the PCC publicly stated that Grab's post-transaction market share would

* Address all correspondence to caicasiano@up.edu.ph.

[1] For the purposes of this discussion, the words "merger" and "acquisition" are used interchangeably. The Philippine Competition Act and its implementing rules and regulations use the same analytical framework in the competition assessment of both classes of transactions.

reach about 93 percent, and, in its subsequent statement of concerns, flagged price increases and service deterioration following Uber's exit. When the transaction was conditionally cleared in August 2018, the PCC described Grab as operating as a "virtual monopolist" [Rey 2018] and imposed commitments intended to maintain market conditions comparable to those that prevailed when Uber still exerted a competitive constraint. For a considerable period after the transaction, the PCC actions indicate that it considered competition in the market as inadequate. In 2019, it stated that the dominance of the merged firm remained unchallenged, that competition had not improved in the ride-hailing market, and later, that there remained insufficient competition in the sector [Desiderio 2019]. More recently, the PCC's continued monitoring of Grab's non-exclusivity and incentive commitments suggests that concerns about limited competitive pressure have not been fully resolved [San Juan 2025]. These conditions make a review of the PCC's approach to its investigation and approval of the Grab–Uber merger warranted.

This paper will explore the Grab–Uber merger, beginning with a background of the ride-hailing business model, followed by a discussion of the timeline of ride-hailing in the Philippines from the entry of market players until the Grab–Uber merger. It will then discuss and review the merger investigation of the PCC, particularly with respect to the following points:

1. whether the Grab–Uber merger was appropriately reviewed through the lens of merger control or if the appropriate approach should have been a review of the transaction as an anti-competitive agreement,
2. gaps of the Philippine merger control regime with respect to the review of transactions in asset-light industries,
3. whether the relevant market as defined by the PCC was appropriate, and
4. whether the remedies sufficiently addressed any competitive concerns brought about by the Grab–Uber deal.

2. Background

2.1. Ride-hailing

Ride-hailing has existed as a model of transport prior to the existence of dedicated digital platforms. Driven by cost and resource savings, as well as the need to maximize the use of existing vehicles, car sharing took the form of carpooling during World War II in North America. Beginning in the 1990s, carpooling transitioned from a system that was dependent on personal networks to a system that "integrated the use of mobile phones, social networking, and the internet with the service they offer" [Li et al. 2018:2]. Ride-hailing allows individuals to access private vehicles for point-to-point transport without bearing

the obligations of car ownership. For car owners, ride-hailing allows them to maximize vehicle utilization [Li et al. 2018].

In its contemporary form, ride-hailing functions primarily as a platform-based intermediation service. A ride-hailing application performs the matching function between two distinct yet interdependent user groups: passengers seeking transport and drivers willing to provide it [Li et al. 2018]. The service, therefore, has a two-sided character. The value of the platform to passengers depends in part on driver availability, while its value to drivers depends in part on the passenger availability.

Ride-hailing generally involves the following steps. First, a passenger uses a ride-hailing application on their mobile phone to request a trip which includes the pick-up and drop-off points of the passenger. Second, the fare is computed based on passenger demand and driver supply, depending on the location of the passenger. Third, the passenger then accepts or rejects the fare provided by the application. Fourth, when the fare is accepted, the nearest driver is notified of the trip request. Fifth, the driver can then accept or reject the trip and fare. If accepted, the driver is provided the location of the passenger for pick up. Finally, the driver conveys the passenger to the destination [Lee 2017].

Ride-hailing fares are typically composed of several features. First is the flag-down rate, which is the base fare that a passenger is charged regardless of the distance or duration of a trip. Second is the distance rate, which is the fare charged for each estimated kilometer of a trip. Third is the time charge, which is a charge for every minute that a trip is estimated to take. Finally, there is a surge rate that multiplies the total fare by a certain amount depending on supply and demand conditions [Lee 2017]. From the platform's standpoint, however, the relevant pricing problem is not confined to the fare charged to passengers. The platform also determines the effective terms on which drivers participate, whether through commissions, incentives, or other compensation arrangements.

2.2. Timeline

Grab and Uber were two of the major ride-hailing market players in Southeast Asia at the time of their merger, with the third major regional player being the Indonesian ride-hailing firm Go-Jek. Uber was founded in San Francisco in 2009 and subsequently undertook aggressive global expansion. It launched operations in Southeast Asia, Israel, Russia, China, and India [Dudley et al. 2017].

In 2013, Uber entered the Southeast Asian market. Starting with Singapore, Uber expanded rapidly to other Southeast Asian locations the following year, including Malaysia, Indonesia, the Philippines, and Vietnam. Eventually, it provided services in 45 countries towards the end of 2014, as claimed by the platform [Li et al. 2018].

Upon entering the Philippines, the Land Transportation Franchising and Regulatory Board (LTFRB) initially issued orders for its enforcers to apprehend Uber drivers for not having valid common carrier franchises [Icasiano and Taeihagh 2021].

After public pushback against such apprehensions, the LTFRB announced it would work with Uber to facilitate the regulation of ride-hailing. The LTFRB also stopped apprehending drivers operating under Uber [Icasiano and Taeihagh 2021].

Despite a tenuous relationship with regulators and the traditional taxi industry, Uber grew in Southeast Asia. It announced further expansion in the Philippines in line with the 2015 guidelines for the legalization of ride-hailing services [Camus 2015].

Uber's expansion, however, took place alongside the rise of regional competitors. Grab started as MyTeksi in Malaysia. Initially offering a mobile application for taxi hailing in 2012 [The Star Online 2012], it expanded to provide a private car ride-hailing service called GrabCar, which would eventually be called Grab. In Indonesia, Go-Jek began as a motorbike sharing firm, which eventually entered private car ride-hailing [Porter 2016].

In 2016, the year following the formal regulation of ride-hailing in the Philippines, the LTFRB suspended the acceptance of new ride-hailing vehicle applications due to severe backlogs in application processing [Reuters 2016]. The same year, the LTFRB set a maximum limit on surge pricing for ride-hailing firms at two times the fare. The LTFRB also fixed the distance and time charges set by ride-hailing applications [Cabuenas 2016]. The following year, Uber was suspended from operating for one month after failing to comply with an order from the transport regulator to remove and prevent unaccredited drivers from operating through its application [Icasiano and Taeihagh 2021].

By 2017, Grab reported that it had captured 72 percent of the Southeast Asian ride-hailing market. Further, market research firms found that Grab was the most used ride-hailing application in several Southeast Asian countries [Azman 2017]. Towards the end of that same year, there was speculation that Uber would be exiting the Southeast Asian market after receiving investment from the SoftBank Group, an investor in Uber's rival Grab [Aravindan and Kim 2017].

Uber had initially denied that it was exiting the Southeast Asian market, with its key officers stating in February 2018 that Uber would continue investing therein [Shah 2018]. However, on March 26, 2018, Uber and Grab announced Grab's acquisition of Uber's assets in the Southeast Asian market. As payment, Uber would take a 27.5 percent stake in Grab [Bernabe 2021]. This announcement resulted in scrutiny by antitrust authorities across Southeast Asia [Icasiano and Taeihagh 2021].

In reaction to the Grab–Uber merger, the PCC issued Commission Resolution No. 08-2018 on April 3, 2018, directing its Mergers and Acquisitions Office to investigate the merger and for Grab and Uber to continue operating separately until completion of its investigation. Despite this directive from the PCC, the LTFRB revoked Uber's license to operate and directed it to cease operations [ABS-CBN News 2018a].

Over the course of the investigation, the PCC found that the market share of Grab post-merger would be 93 percent, more than double its 45 percent market share pre-merger, resulting in a near monopoly, with the remaining seven percent of the market share split between several small market players (Cigaral [2018]; Cordero [2018]; Reuters [2018]).

In addition to finding that the merger resulted in a near monopoly, the PCC found that Grab had increased prices between 25 percent and 35 percent from pre-merger levels. Additionally, there was an increase of driver cancellation rates and waiting times for rides [Cahiles-Magkilat 2018].[2]

In August 2018, the Grab–Uber merger was approved by the PCC, subject to various conditions [Icasiano and Taeihagh 2021]. Among those conditions was that the minimum fares of Grab should not increase by more than 22 percent from pre-transaction levels. The PCC also imposed the condition that the electronic receipt issued by Grab should show the fare breakdown of a trip per fare component (i.e., distance charge, time charge, base fare, and surge). Drivers were also prevented from seeing a prospective passenger's destination, with the condition intended to prevent them from discriminating between passengers based on destination (ABS-CBN News [2018b]; Bernabe [2021]). Driver acceptance rates were also mandated to increase from 45 percent to 65 percent within the remedy period [Cahiles-Magkilat 2018].

3. Discussion

3.1. Anti-competitive agreement or merger control?

The Grab–Uber deal was characterized by competition authorities in Southeast Asia, including the Philippines, as a matter to be investigated through the lens of merger control. This characterization was consistent with the form in which the parties publicly presented the transaction. Particularly, Grab announced in March 2018 that it had acquired Uber's Southeast Asian operations and that, as part of the transaction, Uber would take a 27.5 percent stake in Grab, while Uber Chief Executive Officer Dara Khosrowshahi would join Grab's board [Grab 2021]. Shortly thereafter, in April 2018, the PCC announced that it had commenced a *motu proprio* review of the transaction based on its preliminary assessment that the deal could substantially lessen, prevent, or restrict competition.[3]

Notwithstanding this initial characterization, the transaction also lends itself to analysis under the framework of anti-competitive agreements. Former PCC Commissioner Bernabe [2021] notes that the PCC considered whether the

[2] It should be noted that there is no publicly available data on waiting times pre- and post-merger. While a six to seven percent driver cancellation rate pre-merger was cited in publicly available data, there is no publicly available post-merger data.

[3] See PCC Commission Resolution No. 08-2018.

transaction might also be viewed as a "pay-to-exit" agreement rather than only as a merger. In the present context, such an arrangement would refer to Uber's withdrawal as an independent competitor in Southeast Asia and the receipt of financial compensation for its exit without a hard asset transfer to Grab. This complication is due to the arguably asset-light character of the parties.

The literature classifies platforms as either asset-heavy or asset-light based on their ownership of assets. An asset hub or asset-heavy platform involves the platform operator owning the assets offered on it, with users enjoying the use of such assets for a fee (Lin et al. [2024]; Taeihagh [2017]). On the other hand, a peer-to-peer network or asset-light platform involves matching prospective customers with other platform users who own the assets or provide the services needed by customers (Lin et al. [2024]; Taeihagh [2017]). Using this typology, Grab and Uber would be classified as asset-light platforms: neither platform owned the vehicles used to service customers, being reliant on independent contractors who owned their vehicles to offer their services. With respect to fare payments, platforms and drivers who operate on them share the payments made by passengers on the platform [Ming et al. 2019].

Considering both Grab and Uber may be classified as asset-light platforms, the question arises whether the transaction could rightly be characterized as a merger or acquisition in the conventional sense. Beyond administrative expenses and platform maintenance costs, the assets directly used to provide transportation services to passengers are owned by third-party independent contractors (i.e., drivers and operators). These independent contracts were not transferred to Grab as part of the transaction. Before any transfer of data to Grab, Uber drivers were required to give consent (Grab [n.d.]; Uber [n.d.]). Neither customer accounts nor data were transferred to Grab [Grab n.d.]. As such, no assets, intellectual property, or substantial contracts appear to have been transferred from Uber to Grab as part of the transaction. These features render the transaction less straightforward when viewed through the usual logic of transferring fleets, assets, or even an employed workforce. Viewed from this perspective, the transaction could potentially fall under the prohibition of anti-competitive agreements under the Philippine Competition Act.

> Section 14. Anti-Competitive Agreements. –
> (…)
> (b) The following agreements, between or among competitors which have the object or effect of substantially preventing, restricting or lessening competition shall be prohibited:
> (…)
> (2) **Dividing** or sharing **the market**, whether by volume of sales or purchases, **territory**, type of goods or services, buyers or sellers, or any other means;[4]

[4] Emphasis added.

The underlying assumption of this analysis is that Uber agreed to no longer compete in Southeast Asia, leaving the market to Grab, while Grab, in turn, would not venture into markets where Uber operated, dividing a global market between themselves. Bernabe [2021] explains that this strand of inquiry was not pursued because the Competition Enforcement Office of the PCC, responsible for cases involving anti-competitive agreements, had not yet conducted any significant investigations at the time of the transaction. This consideration was also strategic, as investigations relating to anti-competitive agreements would be long and drawn out, estimated to take at least a two-year period [Bernabe 2021], as opposed to merger control, where the period is estimated to take a maximum of 120 days.[5] The determination of whether this was the appropriate lens through which to review the transaction is important, as the legal consequences for parties differ greatly in merger review and anti-competitive agreements. The main legal consequence if this transaction were characterized as an anti-competitive agreement would be that criminal liability may attach to parties to a market sharing agreement in addition to incurring substantial monetary penalties.[6]

However, as discussed above, the transaction between Grab and Uber does not strictly fall within the typical merger control framework. Rule 2 of the Philippine Competition Act's implementing rules and regulations states that:

> (a) "Acquisition" refers to the purchase or transfer of securities or assets, through contract or other means, for the purpose of obtaining control by:
>
> (1) One entity of the whole or part of another;
>
> (2) Two or more entities over another; or
>
> (3) One or more entities over one or more entities;

Based on a strict reading of this definition, the transaction between Grab and Uber does not appear to qualify as an acquisition. Driver contracts and customer information, arguably the core assets underpinning the platform's service offering, were not transferred as part of the transaction [Grab n.d.]. The issue, therefore, is not whether the transaction involved no transfer at all, but whether conventional asset- and turnover-based framing of acquisitions is well suited to platform transactions in which competition dynamics reside less in physical assets than in user participation, transaction volume, and network effects.

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[5] Sec. 13.3, PCC Rules on Merger Procedure. For a *motu proprio* Section 20 merger review, PCC will endeavor to follow the same process for notified mergers, except for the review periods which are 75 days for Phase 1 and 120 days for Phase 2, and subject to the procedure provided in this Section.

[6] Section 30, Philippine Competition Act. Criminal Penalties. An entity that enters into any anti-competitive agreement as covered by Chapter III, Section 14(a) and 14(b) under this Act shall, for each and every violation, be penalized by imprisonment from two to seven years, and a fine of not less than ₱50 million but not more ₱250 million. The penalty of imprisonment shall be imposed upon the responsible officers, and directors of the entity. When the entities involved are juridical persons, the penalty of. imprisonment shall be imposed on its officers, directors, or employees holding managerial positions, who are knowingly and willfully responsible for such violation.

The transaction may still be properly analyzed through the lens of merger control. The structural effect of the transaction was the *de facto* transfer of both drivers and passengers to the Grab platform. The fact that transferring from Uber to Grab was not mandatory, with the transfer contingent on the driver's consent after acquisition, emphasized the voluntary nature of contracts. Uber drivers could not be compelled by either Grab or Uber to enter into a contract with Grab to provide services on the Grab platform; drivers must consent to the contract. In an asset-light platform market, the absence of extensive hard-asset transfer does not preclude a merger-like change in market structure.

An advantage of reviewing the transaction through the lens of merger control is that, unlike anti-competitive agreements, merger review is more permissive in assessing whether the transaction may also generate efficiencies, as opposed to anti-competitive agreements, which may be treated as *per se* inefficient and would nearly always result in consumer harm. In the case of Grab and Uber, a merger may yield efficiencies due to network effects [Vakeel et al. 2021]. It should also be noted that, while few, assets were indeed exchanged during the transaction, with Uber receiving a 27.5 percent stake in Grab's Southeast Asia holding company [Bernabe 2021], ensuring Uber would continue sharing profits in the Southeast Asian market.[7]

The question that this paper explores, therefore, is whether the merger control analysis employed was sufficiently responsive to the economic characteristics of an asset-light, two-sided platform transaction.

3.2. The Philippine merger notification regime and the Grab–Uber transaction

By virtue of the Philippine Competition Act, the Philippines follows a mandatory merger notification regime where parties to a prospective merger or acquisition are prohibited from consummating a transaction until 30 days after notifying the PCC of such transaction, extendible for another 60 days should the PCC determine that a more in-depth review is required. Failure to notify the PCC of such transaction will result in it being declared void.[8]

During the time of Grab's acquisition of Uber's Southeast Asian operations, the notification thresholds were set at ₱5 billion for the size of party test and ₱2 billion for the size of transaction test.[9] Grab and Uber alleged that they failed to meet both the size of party and size of transaction thresholds at the time of the acquisition and were not required to notify the PCC of the acquisition [Bernabe 2021]. The PCC, however, conducted a review of the transaction *motu proprio* by virtue

[7] This same conclusion was also reached by commentators from other jurisdictions, see Khoo, K. [2020] "Anti-competitive mergers in two-sided digital platform markets: the case of Uber-Grab," *Singapore Academy of Law Journal*, 33(Special Issue):202-240.

[8] Section 17, Philippine Competition Act

[9] See PCC Memorandum Circular No. 18-001 in relation to the Implementing Rules and Regulations of Republic Act No. 10667.

of its general power to prohibit acquisitions that substantially prevent, restrict, or lessen competition in a relevant market.[10]

While the transaction was reviewed and remedies were eventually imposed to address competitive concerns arising from it, the transaction had at that time been partially consummated, and Uber, with its license to operate revoked, ceased its operations in the Philippines [Cabuenas 2018]. These circumstances call into question the effectivity of merger notification thresholds as they relate to sharing economy platforms, particularly, asset-light platforms.

Being asset-light platforms, any transaction between Grab and Uber would not easily be captured by asset value thresholds set for traditional industries which typically own their business assets. The splitting of revenues between drivers and the platform would also make it difficult for the transaction to be captured by revenue thresholds for mandatory notification. For mandatory notification, thresholds are based on either asset values in the Philippines or revenues derived by a firm in or from the Philippines. This is provided under Rule 4, Section 3 of the implementing rules and regulations of the Philippine Competition Act:

> Section 3. Thresholds for compulsory notification.
> Parties to a merger or acquisition are required to provide notification when:
> (a) The aggregate annual gross revenues in, into, or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceeds one billion pesos.
> and
> (b) The value of the transaction exceeds one billion pesos, as determined in subsections (1), (2), (3) or (4), as the case may be.
> (1) With respect to a proposed merger or acquisition of assets in the Philippines if either
> i. the aggregate value of the assets in the Philippines being acquired in the proposed transaction exceeds one billion pesos; or
> ii. the gross revenues generated in the Philippines by assets acquired in the Philippines exceed one billion pesos.

Considering that asset-light platforms only serve as pass-through entities for the revenue share of the asset owner, the merger notification threshold would only consider the service fee derived by the platform as its revenue for purposes of merger notification thresholds. This likelihood of evading mandatory merger notification makes it difficult to review transactions between asset-light platforms. While a transaction being below mandatory notification thresholds does not preclude competition review, a non-notified transaction may already

[10] See PCC Commission Resolution No. 08-2018.

be consummated when it comes to the notice of competition authorities. As noted by commentators:

> [The merging] firms might have undertaken various degrees of integration, perhaps because that was the very point of the merger, or because much time had passed, or because the firms wanted to make subsequent structural separation more difficult. Indeed, it may be the case that the greatest efficiencies and reasons for a merger arise precisely where the integration is most complete, underscoring difficulties in a breakup. In these cases, any breakup would be more akin to the case of restructuring a single integrated company… [Kwoka and Valletti 2021:1293]

As was the case in the acquisition by Grab of Uber's operations, drivers had already transferred from Uber to Grab at the time the transaction was being reviewed by the PCC as it had already been consummated. Uber was in fact already non-operational owing to the revocation of Uber's license to operate in the Philippines [Cabuenas 2018]. Considering this experience, it becomes imperative to review the current merger notification regime where notification thresholds are set uniformly regardless of industry.

Under the Philippine Competition Act, the Commission is specifically allowed to modify thresholds as well as determine criteria for mandatory merger notification:

> Section 12. Powers and Functions. — The Commission shall have original and primary jurisdiction over the enforcement and implementation of the provisions of this Act, and its implementing rules and regulations. The Commission shall exercise the following powers and functions:
> (…)
> (b) Review proposed mergers and acquisitions, **determine thresholds for notification**, determine the requirements and procedures for notification, and upon exercise of its powers to review, prohibit mergers and acquisitions that will substantially prevent, restrict, or lessen competition in the relevant market;
> (…)
> Section 17. Compulsory Notification. – Parties to the merger or acquisition agreement referred to in the preceding section wherein the value of the transaction exceeds one billion pesos are prohibited from consummating their agreement until 30 days after providing notification to the Commission in the form and containing the information specified in the regulations issued by the Commission: Provided, **That the Commission shall promulgate other criteria**, such as increased market share in the relevant market in excess of minimum thresholds, **that may be applied specifically to a sector, or across some or all sectors**, in determining whether parties to a merger or acquisition shall notify the Commission under this Chapter.[11]

[11] Emphasis added.

With this, the Commission may specifically set guidelines for asset-light industries, including platforms beyond asset- or revenue-based thresholds. This would allow *ex ante* review of mergers and acquisitions in platform markets, saving the PCC from the difficulties of reviewing already consummated mergers and acquisitions and increasing the likelihood of preventing a substantial lessening of competition in asset-light industries.

3.3. Market definition

The definition of the relevant market is foundational to any competition analysis. It structures the inquiry into competitive constraints and sets the basis for identifying market power, evaluating harm, and designing appropriate remedies. In the context of platforms, market definition assumes even greater importance because (a) participation on one side of the platform depends on participation on the other, (b) pricing involves multiple instruments rather than a single price, and (c) competitive constraints may operate through interdependent demand rather than through one-sided substitution alone. The approach adopted at this stage, therefore, influences the assessment of competitive effects and the design of interventions.

In its review of the Grab–Uber merger, the PCC defined the relevant product market as the "on-demand private car-based transportation online booking service through a mobile ride-hailing application."[12] This definition excluded traditional forms of transport, such as conventional taxis and public buses, based on limited substitutability. This characterization implicitly categorized Grab and Uber primarily as transportation providers, thus directing the market-definition exercise primarily toward passenger-side substitutability. The analytical focus fell on the passenger-facing service and on the extent to which passengers would substitute for other modes of transport. Driver-side issues remained relevant, but they appeared more indirectly, chiefly in relation to contestability and market entry conditions. In a ride-hailing platform, however, competitive conditions on the passenger side and driver side are jointly determined, so a passenger-centric market definition may not fully capture the competitive mechanism at issue.

Ride-hailing platforms such as Grab and Uber may be better understood as intermediaries rather than transportation providers in the conventional sense. Unlike taxis or bus operators, these platforms typically do not own vehicle fleets or directly employ drivers. Their primary function is to match drivers and passengers using digital infrastructure and algorithmic tools. Platforms are market institutions that set terms of trade, match participants, and determine the allocation of surplus. They enable transactions between distinct user groups by overcoming search frictions and pricing inefficiencies [Spulber 2019]. Their core economic function is thus intermediation rather than transportation *per se*. This distinction affects the identification of competitive constraints because the relevant

[12] PCC Commission Decision No. 26-M-12/2018, August 10, 2018

strategic variables extend beyond passenger fares to include driver compensation, incentives, and platform rules governing participation. Commentators have also expressed this view of platforms, where it has been stated that:

> platforms are active on a single market for two-sided intermediation, rather than separate markets for each side of the underlying commercial activity. This comparatively narrow approach suggests that platforms compete with other platforms providing comparable services—that Uber competes with Lyft, for instance—but do not extend beyond the sharing economy. [Dunne 2018:93]

The conceptual framework for analyzing platform competition can be illustrated through a simplified economic model. Consider a platform operator setting multiple prices and incentives simultaneously to coordinate transactions between passengers and drivers. Let

- P_p be the price charged to passengers,
- S_p be the subsidy or discount provided to passengers,
- P_d be the compensation paid to drivers, and
- S_d be the additional incentives provided to drivers (e.g., promotional payments, bonuses, etc.)

Given these variables, the platform's total profit from facilitating transactions can be expressed as:

$$\Pi = [(P_p - S_p) - (P_d + S_d) - c] \cdot Q(P_p, S_p, P_d, S_d) \tag{1}$$

In the above equation, $Q(\cdot)$ represents the quantity of successful matches between passengers and drivers, and c indicates the per-transaction intermediation cost, including operational and technology-related costs. The term $(P_p - S_p) - (P_d + S_d)$ can be interpreted as the "spread," capturing the net price differential that the platform operator is able to extract per transaction, or the difference between what it collects from passengers (net of discounts) and what it pays out to drivers (inclusive of incentives).

This spread is economically meaningful because it indicates the extent of pricing power and competitive pressure the platform faces. This means that fare increases cannot be evaluated in isolation. A higher fare may reduce passenger participation unless accompanied by larger discounts, promotional subsidies, or better service quality. Similarly, lower driver compensation may discourage supply unless offset by increased incentives. If a platform operator can maintain or increase this spread without causing substantial decreases in user participation on either the driver or passenger side, it possesses significant market power. Conversely, a platform with limited ability to expand this spread faces stronger competitive constraints and lower market power. Competitive constraints are therefore expressed through the platform's ability to manage this spread, rather than through any single price on one side alone.

These features complicate the use of conventional market-definition tools such as the Small but Significant and Non-transitory Increase in Price (SSNIP) test. In standard one-sided settings, the SSNIP test examines whether a hypothetical monopolist could profitably impose a price increase of approximately five to 10 percent without losing enough customers to render the price increase unprofitable. Applied mechanically to ride-hailing platforms, the test would ask whether a hypothetical monopolist could profitably increase the passenger fare, or alternatively reduce driver compensation, holding the other side fixed. That, however, does not correspond to how a ride-hailing platform actually sets prices. Platform operators simultaneously determine passenger fares, driver compensation, and the subsidies or incentives offered on both sides, while participation on each side depends on underlying demand and supply elasticities that the platform cannot directly control. A change on one side, therefore, affects not only direct demand on that side, but also trip volume, participation on the other side, driver utilization, waiting times, cancellations, and demand on the original side through those channels. The same logic applies in reverse to changes on the driver side. A one-sided SSNIP applied only to passenger fares, or only to driver compensation, may therefore yield misleading conclusions because it treats as fixed the very variables that a platform adjusts jointly.

To address this limitation, modified versions of the SSNIP test explicitly incorporating cross-group network effects have been proposed [Filistrucchi et al. 2014]. In these frameworks, the platform facilitates a direct, observable transaction between two distinct user groups. Each side faces a separate price, and the way these prices are distributed is referred to as the price structure. The sum of the two prices constitutes the price level. Because participation on one side depends on the presence and responsiveness of the other, any assessment of pricing must consider not just direct effects on demand, but also how changes in price structure influence overall transaction volume.

For transaction platforms, the SSNIP test should examine whether a hypothetical monopolist could profitably raise the total price level while optimally reallocating prices across both user groups. In practical terms, this requires examining whether the platform could profitably raise passenger fares, reduce driver compensation, reduce subsidies or incentives, or implement some combination of these changes without reducing the volume of completed matches enough to make the strategy unprofitable. The modified test recognizes that the platform's pricing power is not determined by a single price point but by its ability to strike a balance between user acquisition, participation, and surplus extraction across both sides. This approach provides a more accurate basis for defining the relevant market and assessing the competitive constraints faced by platform operators. In certain cases, it may also be appropriate to use a quality-based approach, such as the Small but Significant Non-transitory Decrease in Quality test. By employing these adapted methodologies, competition authorities can better reflect the distinct economic features of platform markets.

Beyond methodological refinements, market definition in platform contexts should not be viewed merely as a boundary-setting exercise for determining substitutability among similar service categories. Rather, market definition should serve as a conceptual framework for understanding how platforms actually operate. In the case of ride-hailing platforms, it should examine how platform operators strategically manage competitive interactions, indirect network effects, multihoming behavior, and switching costs [Franck and Peitz 2021]. Defining the relevant market in a way that explicitly recognizes the platform's role as an intermediary provides a more accurate basis for analyzing how competitive constraints operate in a multi-sided setting.

Under this approach, the relevant product market may be more appropriately described as the "app-based intermediation of on-demand private-car transportation transactions between passengers and drivers through a mobile ride-hailing application." This formulation retains the features emphasized by the PCC—namely, app-based, on-demand, private-car ride-hailing—but clarifies that the service under analysis is not transportation in the abstract. It is the intermediation of a transaction between two distinct user groups. Framed in this way, the market definition is more useful for competitive assessment because it directs attention to the full set of constraints relevant to the platform's conduct: passenger substitution, driver participation, cross-group feedback effects, and the platform's ability to adjust fares, compensation, and incentives jointly. It is also more useful for remedy design because it makes visible the channels through which market power may be exercised, not only through passenger fares, but also through driver-side terms, participation rules, and matching conditions.

A market definition anchored on intermediation also offers a more coherent framework for identifying the mechanisms through which digital platforms exercise market power. This perspective highlights the full set of strategic instruments available to platform operators, including the setting of fares and driver compensation, the calibration of user incentives, the design of contractual terms, and the deployment of algorithmic tools that govern visibility, matching, and access. These instruments determine the allocation of surplus between user groups and shape participation decisions on both sides of the platform. By focusing on how platforms manage interdependent demand, this approach captures the structural dynamics that define competitive constraints. It also reveals how pricing structures and platform rules may be used not only to attract users but also to lock them in, deter switching, and raise barriers to entry in the market.

This framing clarifies how platform design choices may entrench dominance by limiting contestability. For example, a platform that offers targeted driver incentives or exclusivity bonuses can quickly secure a critical mass of supply, reducing the availability of drivers for potential entrants. On the passenger side, promotions or loyalty programs for passengers can reinforce user retention

and limit multihoming. These strategies reinforce cross-group dependencies and make it more difficult for competing platforms to reach scale. By treating both passengers and drivers as active participants with distinct incentives and constraints, a market definition grounded in intermediation allows for a more symmetric assessment of harm. It shifts the analytical focus from isolated price changes to the architecture of the matching process itself, where control over participation, surplus allocation, and transaction rules becomes the primary channel through which market power is exercised.

This intermediation-based approach to market definition also has important implications for the design and application of merger thresholds, particularly in asset-light sectors. Digital platforms such as Grab and Uber do not rely on large physical asset bases. Their competitive significance lies in their ability to coordinate transactions and participation across user groups. As a result, transactions involving these firms may not meet the usual revenue or asset thresholds required for mandatory notification, even if the likely competitive effects are substantial. In the Grab–Uber case, the transfer of hard assets was minimal, and no formal acquisition of drivers or passengers took place. Yet from the perspective of intermediation, the transaction resulted to a shift in the surviving firm's ability to extract surplus. These outcomes are not easily captured by traditional metrics focused on asset transfers alone. A market definition that gives weight to intermediation helps make these effects visible and analytically relevant.

This framing supports a more tailored approach to merger notification in platform markets. Where the principal source of market power lies in platform control over coordinated interactions rather than in ownership of physical assets, notification thresholds may need to place greater weight on indicators such as active user base, transaction volume, or share of coordinated interactions. By aligning thresholds with how market power is exercised in practice, competition authorities would be better equipped to detect and review transactions that materially affect competitive conditions, even if they fall outside conventional notification requirements.

3.4. Designing remedies in platform markets

The Grab–Uber merger review conducted by the PCC resulted in a set of behavioral commitments that reflected the Commission's early attempts to regulate market power in a digital platform context. By the time the transaction was provisionally cleared, Uber had already ceased operations in the Philippines, making structural separation or divestiture a difficult remedy to implement. Instead, the Commission cleared the transaction, subject to Grab's compliance with behavioral commitments, which included service quality, fare transparency, pricing, removal of the "see destination" feature, driver and operator non-exclusivity, incentives monitoring, and an improvement plan.

While the PCC's decision[13] did not expressly state the theories of harm, the underlying concerns may be inferred from the commitments and from the PCC's contemporaneous public statements. The PCC emphasized that the commitments were intended to address price increases and service deterioration arising from the merger of the country's two largest ride-hailing applications. It was also stated that the commitments were intended to ensure that the merger would not make it more difficult for new players to enter and expand. These concerns correspond to three theories of harm: unilateral price effects on passengers, unilateral non-price deterioration in service quality, and reduced contestability or foreclosure affecting market entry and expansion.

The first inferred theory of harm is a passenger-side unilateral effects theory. The elimination of Uber as Grab's closest large-scale competitive constraint increased Grab's ability to raise passenger fares. This concern is reflected in the pricing commitment, which required Grab's pricing behavior to remain comparable to pre-transaction conditions and imposed penalties on identified trips with extraordinary deviations with no sufficient justification.

The second inferred theory of harm is unilateral non-price deterioration. The service quality commitment required Grab to restore pre-transaction market averages for acceptance and cancellation rates and response time to passenger complaints. The removal of the "see destination" feature for drivers with low acceptance rates also addressed service deterioration associated with selective acceptance, cancellations, and passenger discrimination by destination.

The third inferred theory of harm concerns foreclosure and reduced contestability. The PCC required Grab to refrain from introducing policies that would make drivers or operators exclusive to Grab and allowed existing Grab drivers and operators to register with and operate under other platforms or competitors through multihoming. The incentives monitoring commitment reflected the Commission's recognition that driver incentives could, in practice, induce exclusivity and thereby affect competitors' conditions of entry and ability to expand. This part of the remedy package is particularly significant because it shows that the driver side was not ignored. The driver side, however, entered primarily as a condition for rival entry and expansion, rather than as a direct concern of unilateral effects arising from the merged platform's ability to alter driver-side remuneration or participation terms.

The design of the actual remedies is consistent with the relevant market definition adopted by the PCC. Since the relevant product market was defined as an on-demand private car-based transportation online booking service through a mobile ride-hailing application, the most immediate remedial focus fell on passenger-facing outcomes: fare levels, fare transparency, acceptance rates, cancellation rates, waiting times, and complaint handling. Driver-side measures were framed mainly as contestability safeguards. This link between market

[13] See Commission Decision No. 26-M-12/2018

definition, theories of harm, and remedies is important. A passenger-centric market definition naturally produces remedies directed at passenger prices and service quality, with driver-side terms treated mainly insofar as they affect the ability of rival platforms to obtain or attract drivers.

The subsequent operation of the commitments demonstrates both their value and their limits. The commitments created an enforceable framework and were not merely aspirational. In 2019, the PCC extended Grab's commitment period after finding that the merged firm's dominance remained largely unchallenged and that competition in the ride-hailing market had not improved [Desiderio 2019]. Later that same year, the PCC imposed fines on Grab for violating price and service-quality commitments during the fourth quarter of the initial undertaking, including extraordinary deviations from pricing commitments and driver cancellations above the committed level [Aguilar 2019]. In 2025, the PCC continued to monitor Grab's driver incentive schemes to assess whether they discouraged drivers and operators from joining competing platforms [San Juan 2025]. These subsequent actions indicate that the original remedies supplied a basis for enforcement, while also showing that the initial package did not restore competitive conditions within the original monitoring period.

An intermediation-based market definition would likely have led to a more nuanced and holistic remedial framework. Under the alternative definition proposed in the preceding section, the relevant product market would be understood as the app-based intermediation of on-demand private-car transportation transactions between passengers and drivers through a mobile ride-hailing application. This framing preserves the PCC's focus on app-based private-car ride-hailing, while placing the platform's matching and governance function at the center of the analysis. Theories of harm would then be organized around the platform's ability to coordinate both sides of the transaction, set the price structure, allocate surplus, and govern participation by both passengers and drivers.

The first category of remedies under this approach would continue to address passenger-side unilateral effects. Fare commitments, fare transparency, acceptance rates, cancellation rates, waiting times, and complaint-response metrics remain relevant because they directly affect passenger welfare. The PCC's existing commitments were therefore appropriate as a starting point. Their limitation lies in the fact that they monitor only part of the platform's pricing and quality decisions. A platform may satisfy passenger fare commitments while changing driver payouts, commissions, incentive thresholds, or trip-allocation rules in ways that alter the overall distribution of surplus across the platform. In a two-sided transaction platform, passenger-facing commitments provide necessary but incomplete protection because they ignore one of the distinct user groups of the platform—the drivers.

A second category of remedies would concern the platform's price structure, particularly the spread between what passengers pay and what drivers effectively

receive. The justification for spread monitoring follows directly from the modified SSNIP framework discussed earlier. If market power in a transaction platform is assessed by asking whether the platform can profitably increase the overall price level or widen its spread while adjusting the price structure across both sides, remedy design should monitor the same variables through which that power is exercised. Passenger fare control addresses one component of the price structure. Spread monitoring would complement passenger fare controls by making it possible to determine whether stability in passenger fares is accompanied by a deterioration in driver-side terms.

Such a remedy would involve monitoring rather than a general cap on platform margins. A practicable approach would require periodic reporting of gross passenger payments, discounts, surge components, platform commissions, driver payouts, and incentive payments. This information would allow the monitor or regulator to observe whether the platform was increasing its take from transactions by shifting costs to passengers, drivers, or both. Compared with passenger-fare control alone, spread monitoring would provide a fuller account of platform-wide surplus extraction and would reduce the risk that compliance with passenger-facing commitments masks worsening conditions on the driver side.

A third category of remedies would address driver-side unilateral effects. Under the actual framework, drivers were treated mainly as a factor in entry and expansion. Under an intermediation-based approach, drivers would also be treated as a user group whose terms of participation may deteriorate after the elimination of Uber as a competing platform. Drivers participate under platform-determined terms, including commissions, bonuses, incentive thresholds, cancellation rules, ratings, and trip allocation. A more developed remedy could therefore require reporting of effective driver remuneration and prior notice or review of material changes in commission rates, incentive structures, or qualification rules. It bears emphasis that such measures should not amount to direct regulation of driver compensation rates. Their function would be to detect whether the merged platform was worsening driver-side terms in ways that could reduce driver welfare and, indirectly, passenger-side service quality.

A fourth category of remedies would address foreclosure and reduced contestability. Driver incentives require careful treatment in this respect. Incentives can improve welfare when they attract drivers, increase availability, reduce waiting times, or improve geographic coverage. Some incentive structures may also discourage multihoming, thereby reducing the ability of rival platforms to build scale. The relevant remedial inquiry should focus on incentive design. Transparent, incremental, and broadly attainable incentives are less likely to impair competition. Retroactive threshold bonuses, steep loyalty rewards, or rules that make partial diversion to rival platforms commercially unattractive may operate as *de facto* exclusivity mechanisms. A targeted remedy could make such incentive structures auditable by the monitor or regulator and require justification

for changes in material incentives that could affect multihoming or entry conditions. This approach would preserve competition for drivers while reducing the risk that incentive schemes become exclusionary.

A fifth category of remedies would concern non-price effects and algorithmic governance. The PCC's actual commitments addressed service quality through acceptance rates, cancellation rates, complaint-response metrics, and removal of the "see destination" feature. These measures were administrable because they relied on observable outcomes. Platform quality, however, is also shaped by less visible rules governing pricing, dispatch, matching, incentive eligibility, and trip allocation. A more platform-specific remedy could require retained audit logs for material changes to pricing, dispatch, and incentive rules accessible to the monitor or regulator. This could be done without requiring public disclosure of proprietary algorithms. Its value would lie in improving verifiability and helping distinguish ordinary operational adjustments from changes that worsen user outcomes under reduced competitive constraints.

Finally, contestability remedies could be supplemented by measures to reduce switching costs. The actual package relied mainly on non-exclusivity and incentives monitoring to preserve entry conditions. An intermediation-based approach would also consider whether passengers and drivers remain dependent on Grab because their ratings, trip histories, and other reputation metrics are platform-specific. A remedy that provides for the portability of user data between Grab and a potential rival could lower switching costs for a platform user. While a portability remedy covering user data would not guarantee a new rival's successful entry, it could reduce the cost of trying rival platforms and make multihoming more practicable. In a market where effective entry requires scale on both sides, lower switching costs may improve the conditions under which rival platforms can expand.

The contrast between the actual remedies and the intermediation-based alternatives can therefore be stated in terms of how each set of remedies maps onto the relevant theories of harm. The PCC's fare and service-quality commitments corresponded to passenger-side unilateral effects and non-price deterioration. Its non-exclusivity and incentives-monitoring commitments corresponded to reduced contestability and potential foreclosure. An intermediation-based approach would retain those elements, while adding closer monitoring of the platform's price structure, driver-side remuneration, incentive design, and internal governance rules. This approach would also account for the cross-group constraints on the exercise of market power. Because successful transactions require the participation of both passengers and drivers, attempts to expand the spread through fare increases, lower driver compensation, reduced subsidies, or tighter incentive rules may reduce overall match volume if either side becomes less willing to participate. Remedies designed with this feature in mind would better reflect both sides of platform power: the ability to extract surplus throughout the transaction and the structural limits imposed by interdependent participation by passengers and drivers.

4. Conclusion

The Grab–Uber transaction marked a pivotal moment for Philippine competition enforcement in platform markets. The PCC's decision to review the case under merger control was defensible, particularly given the public form of the transaction, Uber's exit from Southeast Asia, and the structural change that followed in the Philippine ride-hailing market. At the same time, certain features of the transaction also raised questions that could be examined through the framework of anti-competitive agreements. Uber's exit from independent competition, receiving compensation without an actual transfer of assets to Grab, gave the transaction the characteristics of a pay-to-exit arrangement. This does not render the merger control framework invalid, but it highlights that despite the absence of extensive hard-asset transfer, a merger-like change in market structure can still occur. Regardless of the legal framing, the central competition concern was the consolidation of intermediation power in a single platform and the resulting ability to influence participation, pricing, and surplus allocation across distinct user groups.

The case also illustrates the limits of conventional merger notification thresholds when applied to asset-light platform markets. Grab and Uber did not rely on large physical asset bases or vertically integrated vehicle fleets. Their competitive significance lay in their ability to coordinate transactions between passengers and drivers, attract participation on both sides, and operate at scale. This made the transaction less visible to asset- and revenue-based notification thresholds, even though its competitive effects were substantial. The experience therefore supports closer consideration of supplementary notification criteria for digital and asset-light sectors, including indicators such as active users, transaction volume, and the share of coordinated interactions.

Throughout the merger review, the PCC adopted a market definition that recognized the app-based nature of the service but framed the relevant product primarily as an online booking service for private-car transportation. This formulation captured an important feature of ride-hailing, namely that transactions are arranged through a mobile platform, but it placed greater analytical weight on the passenger-facing transport service than on the platform's role as an intermediary between passengers and drivers. This framing shaped both the identification of the theories of harm and the design of remedies. The analysis centered on potential fare increases and service deterioration for passengers, with driver-side issues treated mainly insofar as they affected entry and contestability.

As discussed in this paper, ride-hailing platforms are better understood as intermediaries that match and facilitate transactions between passengers and drivers using digital infrastructure, pricing rules, incentives, and algorithmic tools. This distinction matters because the platform does not merely set passenger fares; it also determines driver-side terms, incentive structures, matching conditions, and allocation of surplus across both sides of the transaction.

Adopting a market definition grounded in intermediation would have provided a more complete basis for assessing market power. It would have highlighted the platform's ability to manage the price structure, including the spread between net passenger payments and effective driver remuneration, while sustaining transaction volume. This framing reveals competitive concerns that may not be fully captured by monitoring passenger fares alone. Changes in fare components, driver incentives, commission policies, access rules, and matching conditions may shape user behavior, affect multihoming, reinforce switching costs, and influence rivals' ability to enter or expand. The modified SSNIP framework and the focus on price structure, therefore, retain an analysis of substitutability but also place that analysis within the actual economic structure of a two-sided transaction platform.

The same framework has implications for remedy design. The PCC's actual commitments addressed identifiable theories of harm: passenger-side price increases, service-quality deterioration, and reduced contestability through driver or operator lock-in. These commitments created an enforceable framework and provided a basis for monitoring and sanctions. An intermediation-based approach would have retained fare and service-quality commitments, while adding closer monitoring of the platform's spread, effective driver remuneration, incentive design, algorithmic governance, and data portability. These additional measures need not entail direct regulation of platform margins or driver compensation. Their value would come from improving visibility over how market power is exercised across both sides of the platform and from aligning contestability remedies more closely with the mechanisms of entry and expansion.

Lessons from the Grab and Uber merger remain relevant. As platform-based business models continue to expand across sectors, competition authorities should refine their analytical frameworks and enforcement tools. This paper has argued that understanding platforms as intermediaries provides a more coherent basis for defining markets, assessing market power, and designing remedies. Recognizing the multi-sided nature of platform competition is therefore essential for identifying the full range of potential harms and for crafting interventions that help sustain healthy market competition in platform markets.

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