



ITALY: TAXI DISPATCH SERVICES

15 November 2019

ACE 2019

Theory of harm

2

- Exclusive dealing clauses *causing foreclosure* in the dispatch service market: assessment *by effects*
 - ▣ Mytaxi 2nd market operator in ~1-year time (on both sides of the market)
- The, exclusive clauses impeding Mytaxi to **enter or be a sustainable business in the market** is not the problem

Theory of harm

3

- A concern seems whether exclusive clauses prevent the new operator to reach a scale coherent with the open platform business model
- Reference: open platforms are beneficial as they can reduce *matching frictions btw customers and cabs*
- Theory predicts that *monopoly* by one open platform minimises frictions

Theory of harm: cons

4

- Can we rely on this (specific kind of) efficiency to identify the harm? Unusual
- Would need to investigate more about the role of exclusivity clauses (and of their removal)
 - ▣ taxi licenses are regulated (no free entry)
 - ▣ non-exclusivity Coops are very small (invest?)
 - ▣ exclusivity-based Coops are larger, but differ from each other in size (exclusivity does not explain all)

Test

5

- What is the effect that we want to test?
 - Only one hypothesis: Mytaxi claims that exclusive dealing do limit its *ability to get enough* affiliates join the app
 - Is the current level of Mytaxi operations not sustainable? We should care
 - And what is *enough* like?

Test

6

- Hypothesis is that there is harm if
- # of taxi not under exclusivity (“free”) are less than taxi *needed* by Mytaxi under the *assumptions* that:
 1. Mytaxi *must satisfy at least 80-85%* of service requests (*enough* is an assumption then; but is it achievable?)
 2. Current (low) Mytaxi affiliates’ activity on the app is given (while pricing is a key driver of taxi drivers’ choice to supply services to a given platform)

Rate of served demand

7

- The ICA expects Mytaxi rate to be greater or at least equal than Coops' rate (avg. 80-85%)

- It could be structurally lower (non achievable):
 - ▣ Are data comparable? differences in classification; technology specific errors; consumers behaviour: e.g. replication, info search)

Rate of served demand endogenous

8

- Open platform vs. traditional with exclusivity
 - The rate of served demand depends on taxi drivers' optimal choices (activity rate of affiliates on the app)
 - Thus, current (and achievable) rate is an indirect function of Mytaxi pricing (structure and level): endogenous

Rate of service failure (unserved as % of received requests)

9

November 2016:

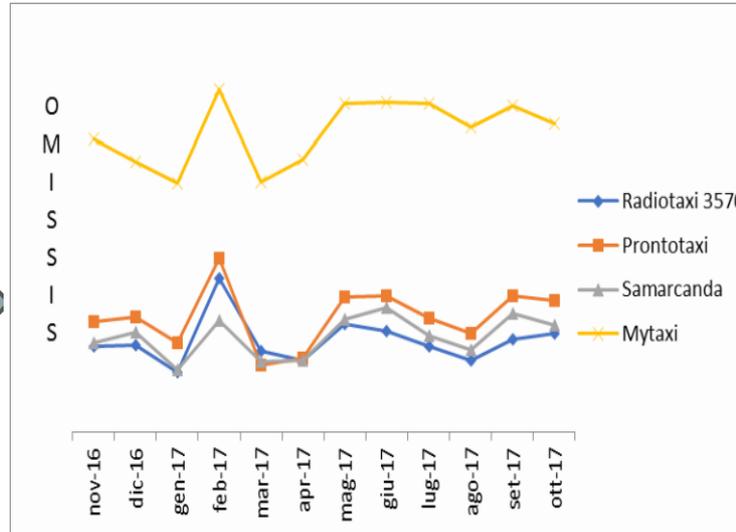
Mytaxi: [250-300] affiliates

«6645»: [800-900] affiliates

«Samarcanda»: [350-450] affiliates

«3570»: [3500-3600] affiliates

% of unserved calls



Source: AGCM

October 2017:

Mytaxi: [1500-1600] affiliates

«6645»: [1000-1100] affiliates

«Samarcanda»: [350-400] affiliates

«3570»: [3400-3500] affiliates

- From November 2016 to October 2017 Mytaxi's affiliates grew by about 5-6 times
- In same period, Mytaxi failure rate (50-55%) did not improve and does not converge
- Of course also demand grew, but ...

Rate of served demand

- We know that available demand for a Mytaxi affiliate is comparable to that of a Coop's affiliate of a Coop with similar demand (even if from here difficult to see)

Taxi services market in October 2017 (Mytaxi entry May 2016)				Dispatch market
	Calls received (relative %)	Calls served (relative %)	Unserved call rate	Registered Taxi drivers
Radiotaxi 3570	60-65%	65-70%	[avg. 15-20%]	3500-3600
Mytaxi	20-25%	10-15%	50-55%	1500-1600
Radiotaxi 6645	10-15%	10-15%	[avg. 15-20%]	900-1000
Samarcanda	5-10%	5-10%	[avg. 15-20%]	350-400
Other (non-exclusive)	n.a.	n.a.	n.a.	2800-2900
Market total	n.a.	n.a.	n.a.	7690

Source: AGCM Decision



Low activity of Mytaxi's affiliates on the app: function of Mytaxi fees

11

- Mytaxi affiliates are by definition free of exclusivity (most)
- On average, they have access to the same average number of rides of Coops' associates
- Their propensity to use Mytaxi very low though, why?

Low activity of Mytaxi's affiliates on the app: function of Mytaxi fees

12

- From an economic point of view, the «activity rate» must depend on fees structure
 - ▣ (Mytaxi) fully variable cost (affects effort and affects compliance); (Coops) fully sunk cost; free options on the road
 - ▣ Indirect evidence: free taxi drivers are much more than Mytaxi affiliates: why they do not join Mytaxi?
- Mytaxi can lower its fees or change their structure to induce more effort

Current (and achievable) rate might be enhanced by Mytaxi policy

13

- For the test ICA computes:
- $F = \left(\frac{S}{D}\right)^* \frac{D}{Ac} \frac{1}{Af}$, which is equivalent to $F = \frac{D}{Af} \left(\frac{S}{D}\right)^*$;
- Ac is the number of active taxi drivers, whatever the definition they cancel out
- $\left(\frac{S}{D}\right)^*$ is the assumed target (rides to demand ratio), and D is demand
- What matters is that F is a function of the current activity ratio of affiliates $\frac{S}{Af}$ (i.e. average rides per affiliate), and it is not exogenous to Mytaxi choices.