

## PRESS RELEASE

**The CNMC issues an economic report regarding restrictions on competition in the regulation of private hire vehicles**

### **ECONOMIC REPORT**

- The loss in consumer welfare due to restrictions on competition in the regulation of private hire vehicles (PHV) amounts to a minimum of 324 million EUR per year.
- These restrictions substantially hinder entry and competition in the market for urban passenger transport services.
- The economic report has been conducted within the framework of an administrative appeal against regulatory restrictions which are contrary to competition and efficient economic regulation in the aforementioned market.

**Madrid, 9 June, 2016.** The CNMC (Spanish Competition and Markets Authority) has published an economic report elaborated within the framework of an administrative appeal concerning restrictions on competition in the regulation of private hire vehicles (PHV).

The main restrictions established by Royal Decree 1057/2015, of November 20, 2015 and the Ministerial Order FOM 2799/2015, of 18 December, 2015 are the following:

- Quantity restrictions on PHV authorizations.
- An obligation to contract services through a pre-booking arrangement.
- A prohibition to drive around or remain parked in order to contract directly with customers.
- An obligation to hire the entire vehicle, restricting car sharing among different customers
- Geographical restrictions in service provision which result in the fragmentation of the Spanish internal market.
- The establishment of minimum fleet size requirements and other vehicle requirements.

The requirements submitted by the CNMC in early 2016 to the Council of Ministers and the Ministry of Public Works asking for the removal of these restrictions were not answered. As a result, the CNMC lodged an administrative appeal at court in April in order to improve these regulations and remove the unjustified restrictions on competition they foresee, as they are detrimental to society as a whole.

According to the economic report, the effect of these restrictions is to hinder competition in the urban passenger transport market and shield the existing

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monopoly regime in the taxi market. The restrictions analyzed in the economic report are not justified from the standpoint of competition or efficient economic regulation. For this reason, the CNMC requests their removal from the regulatory framework.

The economic option aligned with the general interest is to establish free entry and free pricing in the markets for urban passenger transport services (taxi or PHV), with freedom to provide services throughout the Spanish national territory.

The quantification made in the economic report estimates that the annual loss in consumer welfare caused by these restrictions on competition amounts to a minimum of 324,3 million EUR per year. This quantification is a minimum and a conservative threshold, as it does not take into account welfare losses caused by: (i) productive and dynamic inefficiencies and (ii) increased waiting times for users due to a relatively lower vehicle availability.

The CNMC is entitled to challenge at court the acts and regulations of the Spanish Public Administrations which are deemed to be contrary to the principles of effective competition and efficient economic regulation. In this case, the CNMC is acting in the framework of article 27 of Law 20/2013, of December 9, which guarantees market unity.

[Economic Report on the restrictions on competition included in the Royal Decree 1057/2015 and Order FOM / 2799/2015, on private hire vehicles.](#)