

## PRESS RELEASE

### **CNMC requires the Spanish Ministry of Public Works to remove restrictions on competition in urban passenger transport services by private hire vehicles (PHV)**

- The Royal Decree 1057/2015, of 20 November, which modifies the Road Transport Regulations, includes several restrictions on competition.
- It restricts both entry and the ability to compete of private hire vehicles (PHV)
- It reduces competition in urban passenger transport services and shields the monopoly regime in the taxi market.

**Madrid, 21<sup>st</sup> of January of 2016.** - The Spain's National Authority for Markets and Competition (CNMC) has sent to the Ministers' Council a request to remove several articles included in the Royal Decree 1057/2015, of 20 November, 2015.

This request, sent on January 14, is a first step that seeks to avoid the filing of an administrative appeal under the Article 27 of the Law 20/2013, of December 9, to guarantee market unity (LGUM), in case the severe restrictions on competition and market unity established by the Royal Decree 1057/2015 are not removed.

The CNMC is entitled to challenge the administrative acts and regulations from which restrictions to efficient economic regulation or to competition are derived, by virtue of article 27 of LGUM.

The main obstacles to competition established by the Royal Decree - which should be removed, as they are not justified - are the following:

- Quantity restrictions on PHV authorizations. The Royal Decree allows the Public Administration to deny PHV authorizations if it were deemed that an imbalance situation exists between the supply of public transport by taxis and by PHV. Such a situation is automatically assumed when there is more than one PHV authorization for every thirty taxi licenses. This is a major entry restriction in the urban passenger transport market, which hinders competition between PHV and taxis and prevents consumers from benefiting from increased vehicle availability, reduced waiting times, and increased competition on price, quality and innovation.
- Prior booking and other restrictions on the ability to compete. The Royal Decree establishes the obligation to book in advance PHV services, prohibits PHV to carry passengers without a contract, and prevents them from offering their services in the street hail market. These restrictions are unjustified and impede competition between PHV and taxis in several

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segments of the urban passenger transport market, in particular in the street hail market.

- Geographic restrictions in service provision. The Royal Decree determines that authorized PHV must essentially provide services in the territory of the Autonomous Community where the authorization has been registered, establishing a maximum percentage of services which can be performed outside the Community where the PHV has been authorized.
- Minimum fleet size, maximum vehicle age and other technical requirements. The Royal Decree establishes a minimum fleet size of 7 vehicles to operate in this market, a maximum vehicle age of 10 years and other unjustified technical requirements.

These restrictions are contrary to the principles of efficient economic regulation established in the Law 20/2013, of December 9, to guarantee market unity, they lack an economic justification, impede effective competition in the urban passenger transport market at a national level, and reduce general welfare. These restrictions on competition are particularly cumbersome at this moment, as they will hamper the innovation process that is currently gaining momentum in the sector. Therefore, they should be removed from the regulatory framework.

By formulating this requirement, the CNMC provides an opportunity to the Public Administrations with powers in this area to remove these restrictions on competition and encourage effective competition in urban passenger transport services. Given that these restrictions are unjustified and are clearly harmful to society.

In the event that the request is not attended, the CNMC will challenge the Royal Decree in the Courts in order to achieve the removal of the restrictions from the regulatory framework and increase general welfare.