جهاز حماية المنافسة
Egyptian Competition Authority

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Press Release

The Egyptian Competition Authority (“ECA”) has received a formal communication from Uber and Careem that the parties have entered into a Conditional Purchase Agreement pending a decision from ECA. The parties have committed not to implement the agreement, and so to maintain the independence of their operations, until ECA renders a final decision. They have also committed to comply with the Interim Measure Order (No 26 of 2018) rendered by ECA on October 22, 2018. ECA is concerned that if the proposed acquisition of Careem Inc. by Uber Technology Inc. is consummated, it may eliminate competition on the markets on which the parties operate, namely ride-hailing using passenger vehicles, mini-busses, scooters, and Tuk-Tuks; food-delivery; and courier services. ECA invites third parties to present their concerns as to the proposed acquisition.

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Uber and Careem are each other’s closest competitors as they are the biggest providers of ride-hailing services through application platforms in Egypt. Ride-hailing is a two-sided market that concerns Egyptian consumers both as riders and drivers. Ride-hailing through application platforms is the latest dynamic innovation, revolutionizing the different transport markets. It is characterized by network effects; the more users a service has, the more valuable it becomes. Network effects could allow the entity with a large network to keep competitors out of the market.

The proposed agreement is that Uber Technology Inc. will purchase 100% of the assets of Careem Inc. This would combine the two largest ride-hailing companies, aggregating their range of services, geographic coverage, and databases, potentially harming competition on the market and, ultimately, the Egyptian consumer. The parties have signed a Conditional Purchase Agreement, pursuant to which they will maintain separate operations and will remain independent companies pending a final decision from ECA. Fulfillment of the conditions of the Conditional Purchase Agreement will lead to the implementation of the agreement, the key condition being ECA’s clearance (a condition self-imposed by the parties in the said agreement). Both companies have committed to complying with ECA’s future decisions and to work with ECA to address its concerns.

ECA’s preliminary competition concerns

At this stage, ECA is concerned that the agreement may lead to a significant impediment on effective competition in the markets on which the entities are active, especially ride-hailing services using passenger vehicles. Reducing the number of players in the market could erode their incentives to innovate and to offer better services overall. For riders, the merger may limit choices between service providers as well as possibly increase prices. For drivers, the merger will eliminate their ability to choose between operators – as drivers of passenger vehicles cannot switch to other transportation modes due to administrative constraints – and possibly reduce their revenue and incentives.

Moreover, the existence of such entity would raise market barriers due to strong network effects required to operate in this market. Potential entrants need significant funds in order to enter the market, as well as access to databases in order to compete effectively. The accumulation of such funds and data in one entity may cause significant harms to competition. This would lead to the creation of undisputable market power in the markets where the merged entity is active.

Companies and services

Uber Technologies, Inc., the parent company of Uber Egypt, was founded in San Francisco in 2009. It operates in more than 700 cities and 60 countries around the world. It began operating in Egypt in 2014 and now covers 9 destinations: Alexandria, Damanhour, Greater Cairo, Gouna, Hurghada, Mansoura, North Coast, Tanta, and Zagazig. It offers a number of services in Egypt, including: passenger vehicles such as UberX, which offers affordable cars and UberSelect, more luxurious cars; UberScooter; UberBus; Uber Tuk-Tuk; and UberEats, its food delivery service.

Careem, Inc., the parent company of Careem Egypt, was established in 2012 and is located in Dubai. It operates in more than 125 cities in 15 countries. It began operating in Egypt in 2014 and now covers 18 destinations: Ain el Sokhna, Alexandria, Assiut, Aswan, Banha, Damanhour, Damietta, Hurghada, Ismailia, Gouna, Greater Cairo, Mansoura, Minya, North Coast, Port Said, Suez, Tanta, and Zagazig. Similar to Uber, Careem provides the following services: Go Value, which offers more convenient cars, GO+ Comfort, more luxurious cars; White Taxi, traditional taxis hailed via Careem's app; or Careem Bike; Tuk-Tuk; Careem BUS; and Careem Box, a delivery service.

Merger control rules and procedures

Once ECA receives a formal notification from the parties, it will begin its investigation and will take a decision within 60 working days, subject to further extensions as set forth in Article (4) of the Interim Measure Order**.**

In light of the Interim Measures Order rendered by ECA, ECA shall assess the proposed agreement, as it produces effects within the territories of Egypt, which would significantly impede effective competition. In order to obtain ECA's consent and avail an exemption in accordance to Article (6), paragraph (2) of the Egyptian Competition Law ("ECL"), the parties will have to respect the standstill period. In their agreement, the parties have explicitly committed to avoid or eliminate each and every impediment under the ECL, effectively not consummating the agreement until obtaining ECA's clearance.

The opening of a formal process does not prejudge the outcome of the investigation.

ECA invites third parties – such as players in the transportation market, private and public entities, and any interested stakeholders – to present their concerns as to the proposed agreement by April 30, 2019.