To Filipinos, it's Uber and out

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The big buzz on local social media in recent days has been the officially announced sellout of Uber's Southeast Asian operations to Grab, apparently to allow the US company to cut back on its losses, as well as in preparation for its planned initial public offering in 2019.

The competition being intense in the Philippines between Grab and Uber, not a few have expressed disappointment – even a sense of betrayal – with the sellout. The same goes for loyal Uber drivers, who fear the uncertainties that come with the merger. Many Uber users are apprehensive about a rise in fares, saying that their experience in the past few years have demonstrated that Grab fares are usually higher than Uber's. They complain, too, that Grab drivers are more inclined to reject ride requests.

While there are some Uber ridehailing cars in the Philippines that have had shabbily dressed drivers and unkempt interiors, consumer riders say Grab has more.

More importantly, though, it is the feeling that the merger will give the surviving business entity the upper hand over consumer welfare, something that you would feel, for example, if PLDT/Smart takes over its duopoly competitor Globe.

On the operations side, while Grab has assured Uber drivers that the two-week grace period allotted them to transition from their old transport-sharing platform to the new one will be painless, it is the fear of lower incentives that has become a bigger cause for anxiety.

Ride hailing and ride sharing has become a new indispensable service for many commuters in Metro Manila, majority supposedly belonging to the young and upwardly mobile segment of the population who have higher disposable incomes to spare.

Some 60,000 units of ride hailing/sharing vehicles are holders of licenses by the Land Transportation Franchising and Regulatory Board (LTFRB), with about 90 percent operating in Metro Manila. Grab has reportedly more cars than Uber.

There are no figures on how many people use their ride sharing app in a day, but for sure, it has adversely affected the operations of medallion taxi companies, which have easily lost favor in the Philippines because of poor management leading to poorly maintained units and often impolite drivers.

With the sellout by Uber, Grab has promised to serve the Filipinos better. This was explained to mean that there would be shorter waiting times for passengers to book a ride since the pool of drivers would be much bigger.

Because of the absence of competition, Grab inferred that ride prices would also become "more affordable" because of the increase in drivers. Presumably, this takes into account an expected substantial decrease in advertising spending, which in turn, could be channeled to upgrade its services and reduce operating costs.

Of course, passengers of ride hailing and sharing services have no choice but to hope that this monopolization will indeed bring lower fares, improve waiting time to get a ride, continued promo discounts, and better quality of rides, even as the vehicles being used get older and depreciated from use.

For driver-partners, let's hope the incentives system that Grab currently maintains and extends will be further enhanced, and there will be continued benefits like insurance coverage and micro-financing loans.

It would be futile to hope that a new competitor in the country's ride hailing industry would be able to challenge the expected dominance of Grab in the Philippines, and thereby provide some degree of competition that would keep it on its toes.

In the face of this development, we can only look forward to the continuing diligence of the LTFRB and the Department of Transportation to protect consumers.

Almost a decade ago, Uber Technologies Inc. ushered in a new consumer transportation system based on an app accessible on smartphones. Since then, the company has camped in over 600 cities across the globe, offering many other unique mobility services, like UberPETS for pet transport, etc.

Uber became a phenomenon as a start-up company, mobilizing $22 billion through the years from 18 rounds of venture capital and private equity investors, including Google Ventures, the Chinese search engine Baidu, and the Public Investment Fund of Saudi Arabia.

In 2016, however, Uber reported a net loss of $2.8 billion even after it had withdrawn from the Chinese and Russian markets. Valued at $68 billion, the company has been known to have lost more than $10 billion over the last nine years in a quest to grow its markets.

Perhaps because of a belief in changing markets that will challenge the current services it offers, Uber is looking at selfdriving cars as the future of ride hailing.

Its business strategy appears to be to consolidate operations in North America and relinquish its hold on costly competitive markets like China and parts of Asia. This is in preparation for a forecasted shift in technologies favoring automated taxis (hence the IPO next year).

Uber expects to bring profitability back to the company before 2022, this time, relying more on the development of artificial intelligence in vehicles rather than on the software platform that it had introduced and developed since 2009.

All these preparations seem difficult to connect with our daily grind, but with billions of dollars being bet on them, we should prepare for more surprises in the future of ride hailing; they are, after all, supposed to benefit more consumers for a better world.

Will Uber come back to the Philippines? Perhaps, but it likely won't look like the Uber we know today.

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