

CCA opinion on the Decision of the City of Zagreb on the provision of taxi services

Exclusively in the sense of competition rules the Croatian Competition Agency holds the view that any administrative price setting impedes competition between the undertakings, whereas any restriction of the number of competitors in the market for a period of four years may constitute a legal barrier to entry.

The Croatian Competition Agency (CCA) communicated to the municipality of Zagreb – the City of Zagreb – its opinion on the Amendments to the Decision of the City of Zagreb on the provision of taxi services. It must be noted that the City of Zagreb submitted the above mentioned revisions following the request of the CCA in line with its powers under Article 25 of the Competition Act. The CCA particularly concentrated its assessment based exclusively on competition rules on Articles 3 and 5 of the Decision.

In the conclusion of its opinion the CCA stated that the Road Transport Act, as a separate law, empowers the City of Zagreb to set the price for the provision of taxi services. In line with the Decision in effect, the City of Zagreb sets the maximum taxi fare, for example, the start tariff, the taxi tariff per kilometre etc., thus enabling competition between the taxi operators within the set cap amounts.

In this context the CCA found that any additional administrative price setting on the part of the City of Zagreb would diminish competition between taxi operators and have harmful effects on the consumers, such as the provision found in Article 3 of the Decision that defines that the start tariff may not include the right on a free taxi ride. In other words, this means that any promotional pricing, such as a free start tariff, would be impossible.

As regards Article 5 of the said Decision the CCA stated that any legal or factual limitation of the number of undertakings performing a certain economic activity in the market (*numerus clausus*) is objectionable in the sense of competition rules. Such restrictive regulations may be introduced only in exceptional cases, where, generally speaking, there is a clearly defined public interest that could be objectively justified despite an intention to exclude or eliminate competitors from the market. Where the number of competitors is restricted, the duration of this restriction must be as short as possible so as to ensure all the interested undertakings to enter the relevant market concerned.

Thus, it is the view of the CCA that the adoption of a by-law that would render impossible the issuance of a taxi permit for a relatively long period of four years could constitute a legal barrier to entry.