



Strengthen regulation on food delivery app

Digital

The government's new approach to implementing pricing control measures on Gross Profit (“GP”) or commission fee for online food platform. The new regulation will affect the business costs of selling and fuel intense competition in the segment on at least five main food delivery platforms – Line Man Wongnai, Foodpanda, Gojek, Robinhood, and GrabFood. Restaurants are usually charged a regular commission of 30-35% by the platforms. Despite the fact that the GP rate collected from food vendors has been cut to 25% as a result of Covid-19, small and medium-sized restaurants argue that the high GP rate makes it difficult for them to make a profit. The measure was implemented in response to several concerns regarding online services and local partners in terms of revenue sharing.

The new working panel of the GP system, with officials from consumer protection authorities, drivers, food merchants, restaurants, and platform operators among others, has the objective to achieve guidelines on the price control list that are fair to all parties under the Price of Goods and Services Act B.E. 2542 (1999).

In a recent development, the government authority is nearing completion of its proposal to the Central Committee on the Prices of Goods and Services (“CCP”), which is evaluating the price control lists for 2021, which cover essential daily products such as food, consumer goods, agriculture products (fertilizers, pesticides, animal feed, tractors, rice harvesters), manufacturing materials, paper, and petroleum and medicines. As the control list becomes effective, the CCP has the power to cap the purchase or distribution price of the regulated goods and services. This would discourage sellers from charging more than the capped price.

For example, according to Section 29 of the Price of Goods and Services Act B.E. 2542 (1999), company operators are forbidden from unreasonably lowering or increasing prices, or producing price fluctuations that exceed the CCP's requirements. Any distributor who violates Section 29 may face up to seven years imprisonment or a fine of up to 140,000 baht, or both, pursuant to Section 41.

Another suggestion on a further challenge is policy makers should consider enforcing the Trade Competition Act B.E. 2560 (2017) as a means of regulating dominating players (online platforms).