



**The challenges that new business models present when distinguishing between
formal and informal activities
– the Jamaica Fair Trading Commission’s study on transportation platforms¹**

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Thank you to the IADB, the OECD, and the Argentinian Competition Authority for giving Jamaica the opportunity to speak at this year’s Latin American & Caribbean Competition Forum.

Similar to several other jurisdictions the ride-hailing sector has disrupted taxi services in Jamaica’s traditional transportation sector. Ride-hailing services came through the ‘back door’, that is, it came through the informal sector. There was no registration, no formal structure, no safety standards or security guarantees, and brought several competition issues which were echoed by the formal taxi services and consumers, and eventually when security issues arose, Jamaica’s Ministry of Transport.

Generally, the Jamaica Fair Trading Commission (JFTC) does not regard informality itself as synonymous with illegality or as an infringement of competition law. In most instances we view informal businesses as an important source of competitive pressure, and incorporate informality into competition analysis whenever it materially affects competitive constraints, market definition, market power, barriers to entry, competitive neutrality, or the effectiveness of remedies. In most instances, many of the same tools are used in assessing informal and informal markets.

Using competition law to penalize informality itself could have unintended consequences. It could eliminate low-cost supply, reduce competitive pressure and increase prices, particularly for lower-income consumers who rely on informal suppliers. The appropriate response may instead involve simplified registration, proportionate licensing, improved tax administration and targeted enforcement of sector-specific standards.

For the ride-hailing services market we used a sector-specific approach considering demand-side substitutability and supply-side constraints and our assessment involved the number of informal

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suppliers, their approximate sales or output, geographic coverage, customer base, pricing, ability to expand, and the extent to which consumers regard their offerings as substitutes to taxi services.

Information sources included complaints from consumers and rivals in the formal sector; business registration information; licensing and regulatory records; information from the sector regulator; online marketplaces and social-media activity. Examining factors such as price, service quality, reliability, location and accessibility, branding, after-sales service, payment arrangements, consumer perceptions, regulatory compliance and consumers' willingness and ability to switch between formal and informal suppliers.

The JFTC's 2025 study considered several platforms including Uber and three local firms. We examined the effects of the new business model on competition, efficiency, consumer choice, safety, labour arrangements and regulation; and found that ride-hailing can reduce transaction costs, improve the matching of supply and demand and increase consumer choice, while simultaneously raising regulatory and labour-market considerations. Our study is presently being used by Jamaica's Ministry of Transport to inform a ride-hailing policy which could eventually evolve into legislation.

The experience demonstrates that technological change can blur the traditional distinction between formal and informal economic activity. Competition authorities must therefore remain capable of assessing new business models according to their actual economic effects rather than relying solely on conventional regulatory classifications.

Informal operators are likely to have lower effective costs because it does not incur taxes, licensing fees, labour obligations, health and safety costs or other regulatory expenses borne by formal competitors. This can create a competitive advantage that is unrelated to productive efficiency.

For Jamaica, effective competition policy in informal markets therefore requires three complementary approaches: sound economic analysis, proportionate enforcement, and sustained competition advocacy supported by effective inter-agency cooperation. Competition authorities should work with other government institutions to address the regulatory, tax, financial and institutional conditions that sustain informality.

The ultimate objective should be the development of markets that are open, contestable and competitive, in which businesses have meaningful opportunities to formalise and compete on their merits, consumers benefit from choice and competitive prices, and regulatory obligations do not distort the competitive process.