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The regulation of taxi markets in the European Union: a liberalisation forced by technological disruption

Economic & legal study

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ABSTRACT

The taxi market is heavily regulated throughout Europe. Taxi market regulation usually comprises quantity, quality and price rules which constitute barriers to entry and prevent supply and demand to match. Such restrictions were historically legitimate due to significant market failures as well as for the protection of the public interest. Yet, there is now both a need and a possibility to liberalise and adapt the regulation to the new reality of the market. Since 1990, we have observed a positive trend in Europe towards a strengthening of quality rules to make up for lower quantity barriers. Nonetheless, taxi drivers are resisting the transition as evidenced by the impact of liberalisation attempts on the taxi licence value in Paris in the recent years. This signalling effect appears significant in the personal econometric model developed in this study. Yet, Transportation Network Companies (like Uber) are forcing the process of liberalisation that the authorities sometimes struggle to carry out. These new players present multiple advantages and reduce the market failures which used to justify the high barriers to entry. Their success with customers is undeniable but the regulators of the member States have been reacting differently to this revolution. Hence, resulting not only in legal uncertainty but also in distortions of competition. We call for the establishment of a single European regulatory framework which would not only cover ride-sharing services, as it is planned by the Commission. Indeed, the frontier between taxis, minicabs and Transportation Network Companies is no longer clear nor justified so that only a common statute can restore a level playing field in the market for transportation of less than nine passengers.