

The war between taxis and chauffeur-driven private cars: everyone has their reasons

By [Guillaume Allègre](#)

Editor's note: This post was first published on the OFCE blog on 21 October 2013, when the issue of car with driver services was a subject of intense debate. Given the recent events in France, it seemed appropriate to republish this text by Guillaume Allègre.

"What's worse is that everyone has their reasons"

Jean Renoir, *La Règle du jeu*

In the war between taxis and chauffeur-driven private cars (*voitures de tourisme avec chauffeur* – VTCs), everyone has their reasons. We noted in [a previous post](#) that the discourse on innovation masked a classic conflict over distribution between producers, who want to defend their incomes, and consumers, who want an inexpensive quick-response taxi service including at peak times. This conflict is coupled with another no less classic one between holders of licenses with a scarcity value and new entrants, who support opening up the market.

In this conflict the current regulatory system is absurd. Limiting the number of taxi licenses was intended to support the income of independent taxis and prevent them from working too many hours per day to achieve a decent income. However, the authorities have committed two errors. First, by allowing the transfer of licenses, they transferred the benefit of quotas on taxi drivers to the license owners: a taxi driver

now must either rent their license or buy it at a price reflecting its scarcity value (230,000 euros in Paris in 2012!). The current situation is even more absurd given that new licenses are [allocated free of charge](#) (to a waiting list): if the *préfet* allocates 1000 new licenses for free, then a value of 230 million euros at market prices will be transferred to the fortunate winners (who may subsequently rent out the licenses)!

The second error is that the government has allowed the taxi license bubble to expand. The high price of licenses clearly reflects that supply is too low relative to demand. But it would now be unfair to penalize those who have just spent a fortune acquiring a license by, for example, massively increasing their number: why should recent purchasers pay for the shilly-shallying of the regulatory authorities?

What's the solution?

It would be preferable to put an end to a system that generates constant worry about the value of licenses issued for free. But redeeming all the licenses at their market price would be costly and would result in the unjust enrichment of those who received a license for free.

One solution, which was proposed in the [previous post](#), is to buy the current licenses over time (as taxi drivers retire), not at their market value but at their acquisition value plus interest, and to assign new licenses that are free but not transferable. This system would compensate recent purchasers, without contributing to the unjust enrichment of those who have obtained a license for free or at a very low price. It would allow a transition from a system of transferable licenses to a system of non-transferable licenses in which the number of licenses in circulation and the division of the market between chauffeured cars and taxis would depend on the demand for services and not on the nuisance power of one or the other party. This system is of course complex, but it

would help to overcome past mistakes in the fairest way possible.

For further information: [Chauffeur-driven private cars: Victory of the anti-innovation lobby?](#)

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