

Of taxis and men...

blogs.lse.ac.uk/greeceatlse/2011/07/20/of-taxis-and-men/

Ioanna Antonopoulou

2011-7-20

by **Professor Nikolaos Zahariadis**

The recent strike by taxi owners and drivers has brought into light some of the worst aspects Greek society has to offer. After receiving word by the former minister of transport that their demands for special treatment, i.e., exceptions from full deregulation with fewer or no new licenses in the major cities of Athens and Thessaloniki, the taxi owners were stunned by the new minister's refusal to honor this "agreement." The end result is that deregulation will proceed without exception. In response, taxi owners throughout the country decided to respond by striking and closing off the roads to airports, ports, toll booths, and other transport hubs in order to bring the country to a standstill, hoping, I presume, to show the government they mean business when they demand exceptions. Not surprisingly, the government says it will not budge, we'll see about that, and the opposition, in its own populist way, has declared everything to be the government's fault. If only they were in government, things would have been handled differently. Well, they were in government and we all know what happened; so for the time being let's set aside this aspect.

There are so many things wrong with this picture that the difficulty is to decide where to start rather than to figure out what's wrong. Let's be clear at the outset. There is a desperate need for careful deregulation in the Greek taxi market. Forbidding the issue of new licenses for over 30 years has left major cities with serious traffic problems. First, there are double or triple hires, that is, picking up two or three individuals who go to separate addresses and charging them full service while the cab records the transactions as a single hire. This is of course illegal because it implies revenues that are not subject to taxation. In theory, taxis are not allowed to do this, but hands up how many residents or visitors in Athens and elsewhere have not encountered, or continue to encounter, such illegal behavior. Second, there is the terrible practice of hailing a taxi only to be told you, the customer, are not going in the "right" direction, meaning it is not profitable for the driver to take you there. Talking about putting the cart before the horse. Do customers serve drivers or do drivers serve customers? Don't take me wrong. Not everyone does this, but enough drivers do, with their owners' consent I assume, for this to be a general problem. Does deregulation solve this behavior? Partially yes. More taxis mean more convenience for customers and better service. The number of licenses will initially increase dramatically; research shows no more than 200% (in Dublin and far less in other European cities) and not the fantastic numbers of quadrupling that we hear. Service has improved in all cases. Of course deregulation needs to be done carefully to ensure quality, a ceiling on charges, and special bureaus designed to address abuses with responsibility and follow through, something that exists on paper but in practice is as dysfunctional as so many other public services.

Interestingly, the number of taxis per person in Athens is currently higher than pretty much everywhere else in Europe. There are almost 4 taxis per 1,000 residents in Athens, only 2.1 in Rome, 2 in Milan, and so on. So it is important to understand that deregulation needs to be part of a broader overhaul of transport systems. The key is not necessarily to put more taxis into operation but to combine this mode of service with other public transport systems, buses, subway, etc., in order to provide the widest range of options at the least possible cost. But the aim is one and only: provide better service to customers not to taxi owners or drivers. One need not come at the expense of the other, hence the need for careful deregulation, but if there is a trade off, let's be clear on whose side we need to err.

So what has been the organized reaction by taxi owners? Typical of the Greek system of state-society relations, every organized group whose benefits are threatened by impending legislation creates chaos and misery for everyone else until its demands are met. In this case, the choice is keep the country hostage or meet our demands. How else can one explain the takeover of roads leading to airports and ports, the ability to takeover toll booths and allow cars to go by but without paying toll, and the general willingness to decimate the already weakened tourist

season? Why should one group, however just its demands may be, hold hostage everyone else until it gets its way? Why does it believe it can impose huge losses on everyone (hotels, tourist agencies, airlines, restaurants, taxpayers, etc) because some of its members stand to lose? Why should some potential private losses be nationalized? And more importantly, what are the chances tourists who are caught in this confusion are likely to return? The country desperately needs hard currency now, there are precious few alternatives, and the taxi owners (and drivers) stand to destroy it all. It may not be their intent but it is certainly the effect.

The government of course shares the blame for all this. Why is one transport minister allowed to make side deals with special interest groups only for these deals not to be honored by his successor? At a time when the prime minister (and the rest of us) strives for structural changes, each politician is allowed to “play by his own rules.” If he is, publicly acknowledge his smart politics. If he is not, then punish him for that because the message is clear. Keep things under the radar screen and hope no one notices. Isn't this strategy that has brought the country to ruin? Structural changes will never bring the desired results no matter how many times the law changes, unless politicians and their clients decide to behave in more responsible ways. There is only one solution. The law should go through, and it will because not doing so gives incentives to other groups to act in the same irresponsible manner. And there will be many other groups. But the government must also publicly reprimand (or worse) the former transport minister for making side deals. He helped create this problem in the first place. If the government demands taxpayers to pay their fair share, it should also learn to govern fairly.