

THE FORMAL AND THE INFORMAL IN ISTANBUL'S TAXI SECTOR

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Title: The Formal and the Informal in Istanbul's Taxi Sector

This thesis focuses on the taxi sector in Istanbul and how it is maintained and organized. It seeks to highlight how the illegal and informal practices are inherent and crucial to the taxi sector. Illegal and informal practices do not pertain solely to the taxi sector. What is more interesting and constitutes a puzzle in the case of taxi sector in Istanbul is that the existence of a separate sub-sector: there is a formal sector, which is popularly known as *ticari taksi* (commercial taxi) and there is an illegal and informal sector, popularly known as *korsan taksi* (pirate taxi). As the comparative perceptible, the thesis analyzes the taxi markets of different countries and cities. In this sense, firstly, the diversities when the taxi market is analyzed based on the regulation policies are indicated. Secondly, the taxi markets of different countries and cities are handled based on the kinds of service provided. In this regard, even though a similar differentiation and segmentation exist in the Istanbul taxi sector as well, why the sub-sector in Istanbul is defined as illegal and informal is discussed.

Within this frame, this study initially examines the informal and illegal practices in the so-called formal taxi sector. Second, it looks at the illegal component of the taxi market. What is crucial in this respect is that even though the illegal component of the taxi sector has an informal characteristic, it does not fit in with the social characteristics which are usually attributed to the informal economy. The study also questions whether the terms of formal and informal economy should be analyzed as two separate domains. Moving from the premise that formality includes informality within it, it aims to highlight how the formal and informal, legal and illegal intermingle in Istanbul's taxi sector.

Başlık: Formel ve Enformel Sektörde İstanbul Taksileri

Bu tez İstanbul'daki taksi sektörünün nasıl organize edildiğine ve sürdürüldüğüne odaklanmaktadır. Yasadışı ve enformel pratiklerin İstanbul'daki taksi sektörünün ne kadar içkin birer parçası olduğuna dikkat çekmeyi amaçlamaktadır. Yasadışı ve enformel pratikler sadece taksi sektörüne ilişkin uygulamalar olmamaktadır. İstanbul taksi sektörü konusu ilginç kılan ve düşündürücü bir hale getiren şeyse bir yan sektörün varlığı: ticari taksi adıyla bilinen bir formel sektörün dışında genellikle korsan taksi adıyla bilinen, yasadışı ve enformel bir sektör daha mevcut olması. Karşılaştırmalı bir perspektif olarak, bu tez farklı ülke ve şehirlerin taksi sektörlerini de analiz etmektedir. Bu bağlamda, öncelikle, taksi sektörü regülasyon politikaları temelinde analiz edildiği zaman belirgin hale gelen farklılıklar belirtilmektedir. İkinci olarak da, farklı ülke ve şehirlerin taksi sektörleri sundukları hizmet türleri açısından ele alınmaktadır. Bu hususta, benzer ayırımların İstanbul taksi sektöründe de olmasına rağmen, İstanbul'daki yan sektörün neden yasadışı ve enformel olarak tanımlandığı tartışılmaktadır.

Bu çerçevede, bu çalışma öncelikle formel olarak bilinen taksi sektöründeki yasadışı ve enformel pratikleri incelemektedir. İkinci olarak taksi sektörünün yasadışı bileşenine bakmaktadır. Bu konuyu önemli kılan şey, yasadışı taksilerin kayıt dışı çalışmalarına rağmen, enformel ekonomiye atfedilmiş olan karakteristik özellikleri taşıyor olmasıdır. Bu çalışma aynı zamanda formel ve enformel ekonominin iki ayrı konsept olarak analiz edilip edilmemesi gerektiğini sorgulamaktadır. Formel ekonominin, enformel nitelikleri de içerdiği önermesinden hareketle, hangi noktalarda formel ile enformelliğin ve yasal pratikler ile yasa dışı pratiklerin İstanbul taksi sektöründe iç içe geçtiğini ortaya çıkarmayı amaçlamaktadır.

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CHAPTER ONE

INTRODUCTION

The essential aim of this thesis is to examine how the taxi sector is maintained and organized in Istanbul. By doing this, it intends to reveal how the illegal and informal practices are inherent and crucial to Istanbul's taxi sector. However, this kind of illegal and informal practices not pertain only to the taxi sector, but manifold sectors. What is more interesting and constitutes a puzzle in the case of the taxi sector in Istanbul is the existence of a separate sub-sector.

Within the taxi market, there is a sub-sector which becomes illegal and is operated in informal ways. This illegal component of the sector is popularly known as *korsan taksi* or pirate taxi. It is a native term which is broadly accepted and used by its customers. On the one hand, the actors of the legal taxi service supplier feel uncomfortable with the usage of the word *taksi* with *korsan*. Thus, they suggest *korsan taşımacılık* or pirate transportation. In this thesis, I use *korsan taksi* as a native term. I analyze and characterize this subject as “the illegal component of the taxi sector”.

This study also aims to analyze why this component of the taxi service is called illegal and informal. Primarily, they do not have one of the major elements of the taxi sector, which is a license issued by the state. Additionally, even though it is determined that all taxi vehicles in Istanbul have to be yellow or red colored and have the letter “T” or “M”, “C” on their plates in order to identify them easily, they do not differ from private vehicles. In other words, the illegal component of the taxi sector does not fulfill certain requisites which are compulsory for the legal taxi service.

Secondly, they do not pay certain taxes. They only pay their private vehicles' special consumption tax and value added tax, like every private vehicle owner. Due to the fact that they do not offer a legal transportation service, they also do not have any legal existence or works permits. Therefore, they do not have legal operation services like taxi stands, such in the legal taxi sector. The illegal component of the taxi sector is off the record. If it has a legal entity, they just appear as a different type of business. However, in this case, it has informal and illegal characteristics and offers a service apart from the legal taxi service.

As another significant point, this service is informal in the sense that it is not regulated by the public authorities. Within the local and/or central administration, there is no institution which has power to take decisions relevant to this service. In accordance with this situation, the requirements which pave the way for controlling the legal taxi market in terms of quantity, fare and quality are not valid. On the other hand, it does not come to mean that the illegal component of the taxi sector has no standards or requirements. Even more interesting is that this service has created its own standards and system.

What is more striking in respect of the illegal component of the taxi sector, despite its illegality, is that it has some visibility and popularity. It has established its own communication network and currently, it serves a wide range of people who use it instead of the legal taxi service. At this point, beside the reasons of why they use this service instead of the legal one, how the customers are informed of the illegal component of taxi service has to be questioned. In spite of its illegality, word is spread through fliers and handouts. On the one hand, by means of these fliers and handouts, this illegal service becomes visible. In general, each flier includes the price tariffs and contact phone of the service. In addition to these, getting information from

the users of the service is a common characteristic of the illegal component of the taxi sector.

Another crucial issue which constitutes a puzzle in case of the taxi sector in Istanbul is the differentiation between the kinds of service provided by legal and illegal taxi sector. Three primary market segments exist: the taxi rank, the hailing and the telephone-booking segment. Each concept with its characteristics and differences will be discussed within the scope of Chapter Two, in detail. At this point, the main separation in terms of kinds of service between the legal and illegal taxi service is highlighted.

The illegal component of the taxi sector provides only a telephone-booking service. The customers phone and pre-book in order to arrange a vehicle. In contrast to the legal taxi service, it is impossible to take a journey with the illegal taxi service by the hailing or taxi rank techniques. The legal taxi sector offers a service which includes all three market segments, and generally provides the kind of hailing and taxi rank service.

What is more remarkable is that this kind of segmentation exists in other cities and countries, as will be discussed in Chapter Three. Certain taxis offer a service only through telephone-booking segment. On the one hand, they are included in the legal taxi service. However, in Istanbul, while there is a similar differentiation and segmentation, the sub-sector is defined as illegal and informal. It is not officially acknowledged or regulated by the public authorities. It exists apart from the legal taxi service. At this point, one may question why this sub-sector in Istanbul is not regulated and remains illegal and informal. In this thesis, I try to offer some possible answers to this question.

As another crucial point in regard to the taxi sector in Istanbul is the informal characteristic of the illegal component. Even though the illegal component has an informal characteristic, it does not fit in with the social characteristics which are usually attributed to the informal economy. In this context, the informal economy is usually known and analyzed in terms of its exploitative and inhumane working conditions. However, within the scope of the taxi sector in Istanbul, as the thesis indicates in Chapter Five, the inhumane and uninsured working conditions prevail mainly for the legal taxi sector. The drivers of the illegal taxi service work shorter working hours, and each driver is the owner of his own vehicle. Therefore, the phenomenon of two different actors, one the taxi plate owner and the other the taxi driver does not exist. In line with this situation, it is not established upon an unequal relationship among the drivers such as in the legal taxi sector.

At this point, the arguments of Fields and Maloney seem more illustrative. According to their opinions, people prefer to work in the informal sector as a consequence of low wages and bad working conditions of formal sector.¹ In accordance with this argument, as the thesis reveals in Chapter Five, the taxi drivers of the legal taxi service work under worse working condition in comparison to those of the drivers of illegal taxi service. Additionally, they propound that a significant number of formal sector employers provide working condition deprived of the right of social security. In the case of the taxi sector in Istanbul, most of the taxi drivers in the legal taxi service work without social security. Thus, the differences between the

¹ W.F. Maloney, "Informality Revisited," *World Development* 32, (2004), pp. 1159-1178; G. Fields, "Labour Market Modeling and the Urban Informal Sector: Theory and Evidence," in *The Informal Sector Revisited*, edited by D. Tunham, B. Salomé and A. Schwarz (Paris: Development Centre, OECD), pp. 44-69.

formal sector and informal sector in terms of working conditions and level of income are minimalized.²

Another unexpected circumstance in the case of illegal taxi sector derives from the preferences and choices of the customers. As the thesis discusses in Chapter Five, according to most of the customers, they do not receive high quality and standard service from the legal taxi service. Their main complaints generally stem from the improper behaviors of legal taxi drivers. In this context, the lack of control related to the main requirements for people who want to drive a taxi emerges as a problem. Most of the taxi drivers do not have the required documents in order to regard working as taxi driver temporarily work. This circumstance paves the way to the distrust of the customer of the legal taxi driver. In accordance with this situation, most of the customers do not feel secure while taking a ride in the vehicle. On the one hand, the drivers of the illegal taxi service provide more qualified service to their

² In this sense, certain points can be indicated in order to offer an overview related to literature quite briefly. The concept of the informal sector was introduced in 1972 by an International Labor Office mission constituted by the World Employment Programme with the purpose analyzing and suggesting solutions of the employment problems in the developing countries. Since then, the notion of the informal sector has been analyzed by a large number of development economists. Beyond the arguments of Fields and Maloney, some of them state that the informality is a symptom of low overall productivity and therefore, it can exist only temporarily. Other interpretations, such as these Castells and Portes, analyze the informal sector in the context of economic and social changes which become growing self-employment, the deceleration of the institutionalization of economic activities and expanding cash economy model in the microeconomic realm mainly. In line with this frame, the thesis intends to indicate that, in fact, the concept of formality contains by informality within itself. In the taxi sector, within the scope of this study, in which areas these two concepts are intermingled emphasized.

For further information on the literature of the informal economy, see P.W. Daniels, "Urban Challenges: The Formal and Informal Economies in Mega Cities," *Cities* 21, no. 6 (2004), pp. 501-511; Barbara Harris-White, "World and Wellbeing in Informal Economies: The Regulative Roles of Institutions of Identity and the State," *World Development* 38, no. 2 (2010), pp. 170-183; Harold Lubell, *The Informal Sector in the 1980s and 1990s* (Paris: Development Centre of the Organization for Economic Co-operation and Development, 1991); Guillermo E. Perry, William F. Maloney and Omar S. Arias, *Informality: Exit and Exclusion* (Washington, D.C.: World Bank, 2007); Alejandro Portes, "The Informal Economy and Its Paradoxes" in *The Handbook of Economic Sociology*, edited by Neil J. Smelser and Richard Swedberg (Princeton: Princeton University Press, 1994), pp. 426-449; Neil J. Smelser and Richard Swedberg, "The Sociological Perspective on the Economy" in *The Handbook of Economic Sociology*, edited by Neil J. Smelser and Richard Swedberg, (Princeton: Princeton University Press, 1994), pp. 3-26; Victor E. Tokman, "The Informal Sector," *International Handbook of Development Economics* 1, edited by Amitava Krishna Dutt and Jaime Ros, (2008), pp. 483-495; Guha Basudeb and R. Khasnobis, (eds), *Linking the Formal and Informal Economy: Concepts and Policies* (Oxford: Oxford University Press, 2007).

customers. A large number of customers state that they are not subjected to improper behavior from the illegal taxi drivers. At this point, on the ground of their service's illegality, the fear of complaint results in proper behavior and more qualified service.

As Deniz Yüksekler highlights in her research, "Laleli-Moskova Mekiği: Kayıtdışı Ticaret ve Cinsiyet İlişkileri" (The Shuttle between Laleli and Moscow: Informal Trade and Gender Relations), trust and familiarity are essential notions in the informal economy. In this context, the illegal taxi sector is not an exception. These concepts characterize the relations between the drivers and customers. Thus, the relations which are based upon mutual trust and reciprocity in the illegal taxi service are also its reason for being. In this case, not only does the customer trust the driver by hiring his service, but also the driver trusts the customer not denounce him to certain authorities. One of the methods used in order to establish the mutual trust is a coding system. According to this, the illegal taxi operator gives a code to each customer by taking the customer's address and phone number. As a consequence, each illegal taxi stand has a coded member network. In this way, the familiarity between the customer and the drivers of the illegal taxi service is established. Furthermore, the illegal taxi service generally works as an ordinary part of the neighborhood. In line with this circumstance, they are easily approved of as craftsmen of neighborhood.

Besides all these points, one may ask why these illegal and informal practices exist in the taxi market. As the thesis reveals, the boundaries between the legal and illegal, formal and informal become blurred in the case of the taxi sector in Istanbul. In other words, the formal and informal implementations together with legal and illegal practices intermingle. At this point, if I go back to the question at the beginning of this paragraph, it may derive from the regulative policies. It is possible

that these implementations are not fully enforced. Additionally, certain public authorities may not be interested in the full enforcement of these regulatory policies. As a consequence of this circumstance, manifold deviations from the legal regulations occur in the formal sector.

On the other hand, this does not mean that an irregularity dominates the legal taxi sector in Istanbul. There are certain rules which regulate and control it. These implementations are enforced and everyone agrees upon them. For instance, in accordance with the fare control, the fixed price setting policy is implemented in Istanbul's taxi service. Moreover, the charge is determined by metering. These kind regulations are to the advantage of both the customer and the driver of the legal taxi service.

However, some of the regulation policies may pave the way for informal implementations. In this sense, the existence of the quantity restriction within the taxi market may create an illegal sub-sector. Although it is claimed that the number of legal taxi vehicles per person is oversupplied, the existence of this sub-sector may also be in the interest of certain authorities. It is possible that this illegal taxi service may also meet a demand within the taxi sector. However, the essential fact is that this sub-sector is not officially reorganized or regulated by the public authorities. This stems from the fact that the actors of legal taxi sector lobbies against this illegal taxi service. They aim to create political pressure in order to abolish this sub-sector completely. Currently, despite that a law draft which aggravates the punishment of drivers of the illegal taxi service is on the agenda, related implementations have not been enforced yet.

The Research

The data that I used in this thesis come from several sources; different aspects of the study demanded different methodological approaches. The lack of social scientific literature on Istanbul's taxi sector paved the way for the use of broader relevant literature within economy and transportation studies as the major theoretical frame for the study. Additionally, in order to understand the legislative framework of the taxi market, a textual analysis was conducted. In this respect, legal texts such as laws, bylaws and legislations were examined. By doing this, effort was made to understand under which circumstances the taxi sector is regulated.

On the other hand, I used the findings of a round table meeting entitled “(De)Regulation of the Taxi Industry”, which was prepared by the Organization for Economic Co-Operation and Development (OECD) and the European Conference of Ministers of Transport (ECMT).³ Afterwards, in the first phase, I employed these and other certain findings as a background for assessing the taxi market in Istanbul particularly.

I used mainly sectoral publications such as *TaxiGazete* (TaxiPaper), *Şoförmag* (DriverMag), *Şoför ve Trafik Dergisi* (Periodical of Driver and Traffic), *İstanbul Esnaf Dergisi* (Periodical of Istanbul's Craftsman), chamber of craftsman documents, websites and brochures which offered me a perspective related to the taxi sector in Istanbul. By scanning these journals, brochures and relevant newspaper

³ Within the text, six different countries' taxi markets are analyzed by many significant author. Namely, the example of Canada is handled by D. Cartier, the experience of Norway is examined by J. T. Bekken, the Netherlands sample is analyzed by P. Bakker, the background of United Kingdom taxi sector is offered by A. and E. Liston-Heyes, the case of France is examined by R. Darbéra and last the Ireland instance is presented by S. Barrett. This study gives me a detailed account of the similarities and differences in operation of the taxi market widely diverse national contexts. Thanks to this round table meeting text which includes the individual articles which address different national contexts from different perspectives, I have been able to detect international trends and national distinctions in the taxi industry.

articles, I was able to understand the main problems of the taxi sector, certain demands and prospects.

In order to find out what kind of issues are mainly indicated by the main actors of the taxi market in Istanbul, interviews were conducted. Besides the perspectives of differently situated social actors in the taxi sector, certain demands were argued and their perceptions of the taxi market were analyzed. In this sense, I conducted twenty-one interviews with a range of individuals. I paid special attention to include the crucial actors of the taxi market from the chamber of craftsmen to the federation. In addition, the other actors who became the taxi plate owners, the taxi drivers and the customers were not ignored. The ages of interviewees varied between 25 and 80. The average was around 50. In this sense, two of them were the operators of a taxi stand, two of them were taxi drivers, two of them were taxi plate owners and one of them was a customer. In addition to these, one of them was an interesting example for the study. This interviewee had previously worked both as a taxi driver and as an illegal taxi driver. Currently, he was a customer of both. It was a significant experience to analyze the taxi market with the illegal component. Moreover, I got the chance to ask the reasons for his preference in terms of the legal or illegal taxi service. On the grounds of his precious contribution, I was able to understand several key points.

In accordance with aims of examining the working conditions of the illegal component of the taxi market and analyzing its existence, two different interviews were conducted at two different illegal taxi service stands. At this point, the difficulty of interviewing individuals who work within an illegal taxi service has to be highlighted. It is almost impossible to conduct an interview with any of them, without a connection. In this sense, gaining their trust emerges as a crucial concept.

On the other hand, although I had conducted an interview with the people who worked at the illegal taxi stand; when I asked for a second interview, I was rejected after waiting for a couple hours.

Furthermore, one of the interviews was conducted with the Education Manager of the Federation of Turkish Drivers and Automobile Owners (*Türkiye Şoförler ve Otomobilciler Federasyonu-TŞOF*) Nizamettin Ateş; one of them was conducted with the Legal Advisor of the Federation of Turkish Drivers and Automobile Owners Zerrin Boztaş; one of them was conducted with the President of the Istanbul Chamber of Cab Drivers and Artisans (*İstanbul Taksiciler Esnaf Odası-İTEO*) Yahya Uğur; one of them was conducted with the Vice President of the Istanbul Chamber of Cab Drivers and Artisans Ercan Akköprü; one of them was conducted with the Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan; one of them was conducted with the Manager of Complaint and Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk; one of them was conducted with the President of the United Taxi Drivers' Association (*Birleşik Taksiciler Derneği*), Memduh Çırak; one of them was conducted with the President of Istanbul Union of Cab Drivers (*İstanbul Taksiciler Birliği*) Bayram Hacıhaliloğlu; one of them was conducted with the President of Turkish Foundation of Cab Drivers (*Türkiye Taksiciler Vakfı*) Güneş Taş; one of them was conducted with the Vice President of The Chamber of Büyükçekmece Drivers and Automobile Owners Ali, İhsan Özcan; one of them was conducted with the Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners, Yavuz İnce; and the last one of them was conducted with the President of Fighting against Pirate Association (*Korsanla Mücadele Derneği*) Enver Uğur.

I conducted semi-structured interviews, which means I had a framework of the questions prepared to understand basic findings about their background related to taxi market, complaints, demands, characteristics of the taxi market and the aspects regarding the illegal component of the taxi sector. In addition to these, why they preferred to work as a taxi driver was asked to the taxi drivers, whether they rented their taxi plates or they worked as drivers was asked to the taxi plate owners, especially. On the one hand, to the interviewees who worked at the illegal taxi service stands, I asked the reasons why they preferred to work as drivers of an illegal taxi service, the working conditions and their fears with their concerns were asked. Further questions were asked depending on the responses of the interviewee to questions. In case of necessity, another interview also was conducted with certain people. Beyond the conducted interviews, I also spent time at the Istanbul Chamber of Cab Drivers and Artisans for two weeks to observe the crucial problems, demands and complaints which were frequently indicated by the taxi plate owners. In this context, not only the taxi plate owners who work as taxi drivers but also the taxi plate owners who rented their taxi plates were regarded.

All interviews were recorded on a digital recorder, except for one which was recorded as a manuscript and lasted between twenty minutes to three hours depending on the oral skills of participant and obligatory situations; some, generally the taxi drivers, had to return to their works as soon as possible. I conducted interviews in several places. The interviews which were conducted with the taxi drivers, the operators of taxi stand and the taxi plate owners who also worked as taxi drivers took place at their taxi stands. One of the taxi plate owners has not worked as a taxi driver. Therefore, I conducted the interview in his home. On the one hand, the interviews with the customers were conducted at cafes. Other interviews were

conducted at their workplaces. All interviews were conducted in Istanbul, except for two which were conducted in Ankara. I explained to them my research interests and the structure of my study, guaranteed some of them that I would keep their names anonymous and that they could stop recording and if they wished I could delete it completely or partially at any time during interview or later. These interviews constituted the major source of analyses in Chapters Four and Five.

Organization of the Thesis

This thesis contains five more chapters. The second chapter presents an overview about the logic of regulation in the taxi industry by examining what kinds of regulation instruments are implemented. In accordance with this purpose, the thesis focuses on the literature which analyzes the regulation of the taxi sector. However, in relation to the lack of literature, the studies which have been conducted by economy and transportation departments are used. As significant names related to this literature M. E. Beesley, S. Glaister, J.P. Toner, Jon-Terje Bekken, Frode Longva, Richard Darbéra, Christian Seibert, Benedikt Koehler and Sean D. Barrett may be pointed out in the first phase. Their studies guide the thesis in respect to how it can analyze the taxi sector in terms of regulation policies.

In this sense, initially, the scope of regulation with its main reasons and dominant tools are analyzed. Related to its peculiar characteristic in that the adjustment between supply and demand particularly, the taxi sector has a long history of regulation. The complex mechanism of supply and demand may lead to overcapacities, high prices and problems such as congestion and pollution as well. On the one hand, being a part of the mobility chain requires a service which provides

high quality at affordable prices.⁴ Moreover, public order and consumer protection are indicated as considered issues by the regulatory body. Quantity restriction, fare and quality controls are predicated as the dominant ways of the regulation policies within the taxi sector.

Second, the segments of the taxi sector are defined and each segment was analyzed based on the various regulation implementations. In line with this frame, this part handles taxi rank segment, the hailing segment and the telephone-booking segment. On the one hand, the arguments which are against the regulation policies are not ignored. In accordance with this purpose the controversy among economists is offered. As a last point, based on this background, the claims that not only advocate the regulation, but also challenge it are explained.

The third chapter is designed to present a comparative perspective by referring other examples related to the taxi sector. By making comparisons, it aims to indicate the diversities when the taxi market is analyzed based on its regulation in terms of both the differences between countries as well as differences within countries. In other words, the degree of implemented regulation policies may differ according to countries and/or cities.

In this sense, first, it aims to offer an overview which describes the current approaches in European taxi regulation with its relevant characteristics. By doing this, this section also intends to point out several experiences with regulatory changes in the taxi market briefly. As a second step, the taxi industries of certain cities and countries are analyzed thoroughly in terms of their management policies and implementations. In accordance with this objective, five cities and countries namely

⁴ Richard Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," *Association for European Transport*, (2005) p.1 and John-Terje Bekken and Frode Longva, "Trends in Taxi Regulation," *Association for European Transport*, (2004) p.1

New York, London, Paris, the Netherlands and Dublin, are handled by aiming to indicate their taxi markets' pros and cons.

The Chapter Four focuses on the taxi market in Istanbul. In this sense, it initially explores the historical origins of the taxi sector. However, the lack of necessary sources on this topic emerged as a problem. I tried to cope with this difficulty by conducting interviews and benefiting from web sites, as mentioned above. At this point, it has to be highlighted that this study offers the certain information which is indicated through a significant number of web sites and confirmed by the interviewees as well.

Secondly, the major elements of the taxi sector are considered: the taxi stand, the taxi vehicle and the taxi plate. While discussing these elements, the discussion mainly aims to reveal the divergence between the legal regulations and practices. In addition, the phenomenon of rent-seeking is discussed. In this regard, correlated with the existence of illegal practices, the discussion highlights the functions of the intermediate actors in the sector.

Within the scope of the fifth chapter, first, the main actor of the taxi sector is defined and explained. As a next step, this chapter analyzes the components of the taxi sector included the illegal one. In this context, certain actors are handled on the basis of their authority in the decision phase and publicity and membership conditions. In accordance with this purpose, initially, the governmental authorities which have the power to take decisions relevant to the taxi sector within local and central administration are taken into consideration. In this sense, Law No 5216 is essentially considered. It indicates that within the boundaries of the Istanbul Metropolitan Municipality, a transportation coordination center which is responsible for ensuring all kinds of transportation services coordination is established. Besides

the Transportation Coordination Center, the Directorate of Public Transportation Service is handled with the other significant authorized bodies related to the taxi market.

Secondly, the organization of taxi drivers is analyzed from the chambers of craftsman to the confederation. Within this title, the differences which derive from the legal amendment from Tradesmen and Craftsmen Law, dated 17 July 1964, and numbered 507 to the Tradesmen and Craftsmen Occupational Organizations Law dated 7 June 2005 and numbered 5362 are argued. Furthermore, the hierarchical organization of the taxi sector is discussed. Thirdly, the non-governmental organizations which carry on manifold works regarding the taxi sector such as associations and foundations are handled. In this respect, the Istanbul Union of Cab Drivers, the United Taxi Drivers' Association, the Fighting against Pirate Association and the Turkish Foundation of Cab Drivers are chosen in order to analyze their aspects related to taxi market.

Thirdly, the study looks at other crucial actors of the taxi sector: the taxi plate owner, the taxi driver and the customer. By doing this, initially, this part intends to present that at which points the taxi plate owner become distinct from the taxi driver. On the grounds of revealing the inequality between the taxi plate owner and the taxi driver, their economic powers and working conditions are examined particularly. In addition to these, this section also aims to highlight not only the informal and illegal practices, but also the informal relations established between them. Within the scope of the thesis, the taxi plate owner indicates that the person who has possession of a taxi plate in accordance with certain procedures and principles within the Council of Ministers' Decision dated 2 April 1986 and numbered 10,553. On the one hand, the taxi driver is the person who works with or works under the taxi plate owner.

In regard to the customer, the demand factor is questioned. In relation to the rapid increase in the illegal component of the taxi sector, the importance of the customer preference is emphasized. Customers state that they prefer illegal taxi services also because of their dissatisfaction with the legal taxi service and drivers. This dissatisfaction is also one of the reasons for the recent rapid increase in illegal taxis. In other words, within the scope of this part of the study, the illegal practices and the informal relations within the legal taxi service are pointed out by aiming to reveal the intermingling of the formal and informal implementations.

Following the main actor of the taxi sector, the components of the taxi sector are discussed as a next step. In this sense, firstly the distinction between a taxi and a shared taxi (*taksi dolmuş*) is explained. On the grounds of a taxi's color, the taxi market goes into division as yellow and red colored taxis. As a final step of Chapter Five, the sub-sector which is popularly known *korsan taksi* or the illegal component of the taxi sector is handled by aiming not only analyzing this sub-sector but also revealing in which areas it is correlated with the taxi sector. In addition to these, it intends to explain how the illegal component of taxicab sector is constituted and maintained. In accordance with these purposes, this study includes different perspectives on the illegal component of the taxi sector. In other words, it discusses the main causes and effects of the illegal taxi service as viewed by both the sector's opponents and proponents.

Lastly, I conclude by summarizing my findings and indicating several points for further research on the subject.

CHAPTER TWO

REGULATION OF THE TAXI INDUSTRY

The fundamental presumption of capitalist economies is that, by and large, “markets work.” According to this assumption, for most goods, Adam Smith’s “invisible hand” works and the interaction of supply and demand results in equilibrium and efficiency without the need for governmental intervention. In other words, if a good is not available or scarce, its price will rise. The rise in price leads to the expansion of production and offers an opportunity for profit-motivated producers to move into that area. On the contrary, the excessive production of a good will give cause for a decline in price.⁵

The ideal of free and deregulated market grounds on manifold prerequisites which contain free market entrance and exit, informed consumers about the available goods and their prices, no monopoly power and no economies of scale in production. However, in many cases, one or several tools of this ideal market do not prevail. At this point, the concept of market failure which culminates in intervention policies is formed. According to this perceptive, regulation is an implementation which contributes to the correction of market failure. On the one hand, in comparison with this aspect, the opponents of regulative policies argue that the analysis of market failure cannot be a sufficient justification for the intervention.⁶

The aim of this chapter is to give an overview about the logic of regulation in the taxi industry by examining what kinds of regulation instruments are implemented in the taxi industry. In this context, firstly, the scope of regulation with its main

⁵ Catherine Liston-Heyes and Anthony Heyes, “Regulation of the Taxi Industry: Some Economic Background,” in *(De)Regulation of the Taxi Industry*, edited by Transport Research Centre, Report of Round Table 133 (OECD and ECMT, 2007), p. 96-97.

⁶ *Ibid.*, p.97

reasons and dominant tools are analyzed. As a second step, the segments of the taxi sector are initially defined and following, each segment is analyzed based on the various regulation implementations. On the one hand, the arguments which are against the regulation policies are not ignored. In accordance with this purpose the controversy among economists is offered. As a last point, based on this background, the claims not only advocate the regulation but also challenge with it are explained.

The Logic of Regulation in the Taxi Market

The taxi market is one of the most widely and heavily regulated economies in developed countries. The long history of regulation of the taxi market is related mainly to its peculiar characteristic in that the adjustment between supply and demand. The complex mechanism of supply and demand may lead to overcapacities, high prices and problems such as congestion and pollution as well. On the one hand, being a part of the mobility chain requires a service which provides high quality with affordable price.⁷

Due to the public good feature of the taxicab market, taxi service has to be available at times when demand is even low and at locations where the population is dispersed as well.⁸ Beside its public good characteristic, regulatory takes into consideration public order, consumer protection, congestion and pollution management and economic performance.

Public order, in other words, public safety, includes protecting both taxi consumers and other road users in terms of physical safety and the suitability of the

⁷ Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p.1; Bekken and Longva, "Trends in Taxi Regulation," p.1.

⁸ M. E. Beesley and S. Glaister, "Information for Regulating: The Case of Taxis," *The Economic Journal* 93, no. 371 (September, 1983), p. 594.

vehicles. The concepts of safety and security pave the way for state intervention based on the desire to control of taxicab activities. In this context, the regulation of vehicle standards and providing driver standards are the fundamental issues. The most applied methods for the vehicle standardization can be the determination of certain size and age for vehicle, road-worthiness checks and identification. Being a “fit and proper person” is the main prerequisite for a driver. Moreover, having a passing grade from various special tests can be a required specification in some countries.⁹

Consumer protection is related to preventing the exploitation of the weak consumer from the operator who is in a strong bargaining position. In this circumstance, fare regulation is generally implemented as a solution by applying the instruments of compulsory metering and the setting of maximum fares.¹⁰ In a deregulated taxicab market, transaction costs increase considerably.¹¹ On the one hand, when fares are not defined beforehand, taxis may overcharge customers.¹² In this case, a predetermined fare system gives customers more information about the cost of a taxi ride, reduces the bargaining probability and protects customer.¹³

In almost all countries, particularly in cities, taxis have a ubiquitous feature. Additionally, they have become the indispensable part of the transportation system as

⁹ J.P. Toner, “Regulation in the Taxi Industry,” *Institute of Transport Studies*, Working Paper 381 (December, 1992), p. 1.

¹⁰ Ibid.

¹¹ Christian Seibert, “Taxi Deregulation and Transaction Costs,” *Institute of Economic Affairs* (Oxford: Blackwell Publishing, 2006), p.71.

¹² R. Hardaway, “Taxis and Limousines: The Last Bastion of Economic Regulation,” *Hamline Journal of Public Law and Policy* 21 (2000), p. 357.

¹³ Benedikt Koehler, “Licence Values in Taxi Markets,” *Institute of Economic Affairs* (Oxford: Blackwell Publishing, 2005), p. 52-53.

a para-transit vehicle.¹⁴ The rapid growth of taxi-ridership in recent years has made the issues of congestion and pollution significant. According to the proponents of regulative policies, these are the issues which need to be controlled by the authorities.¹⁵ To prohibit cruising and insist the return of the taxi to its stand may be a useful solution in a congested city centre. In that case, the regulator regards taxi rank designation policy which can deal with the number of taxi cabs. Beyond this kind a measure, entry restriction is one of applied regulation policies which aims to prevent the congestion and pollution.¹⁶

The concept of economic performance is related closely with the efficiency of taxi service. In order to not allow welfare losses and inefficiency, the most proper price/service level combination is attained. In accordance with this purpose, the regulator may want to control the maximum fare level and the numbers of taxicab and taxi rank.¹⁷ From this point of view, it seems essential to analyze the instruments of regulation policies in terms of comprehending what kinds of regulation are implemented by certain authorities.

¹⁴ Liston-Heyes and Heyes, "Regulation of the Taxi Industry: Some Economic Background," p. 95.

¹⁵ C. Shreiber, "The Economic Reasons for Price and Entry Regulation of Taxicabs," *Journal of Transport Economics and Policy* 9 (1975), p. 268-279.

¹⁶ Toner, "Regulation in the Taxi Industry," p. 1.

¹⁷ *Ibid.*

The Dominant Ways of Regulation

A literature survey on how taxi markets generally are regulated indicates three main tools which are quantity restriction, fare and quality controls. On the one hand, one can easily notice that these concepts are handled in different types of classification methods. The classification can vary in line with the author's changing focus, perspective and consideration. One of the fundamental distinctions in terms of regulation instruments is economic and social regulation. In this case, economic concerns are analyzed relatively comprehensive. While economic regulation involves the issues of price and quantity restriction, social regulation contains quality controls such as safety and security regulation, vehicle and driver standards.¹⁸

If the taxi market is handled on the basis of its main actors who become the taxi industry itself, the regulatory authorities and the consumers, three major groups of regulation can be defined. Initially, the direct barriers to entry concerns essentially quantitative and qualitative regulations which consider the operators. In that case, qualitative regulations include implementations which are related to the access requirements of the taxi operator profession. Secondly, indirect barriers to entry regard the aspects other than the operators in the market. Taxi driver requirements, service and vehicle requirements are stated as indirect barriers. In this context, as a last regulation tool, fare regulation is implied.¹⁹ At this point, each of these regulation ways will be handle in detail.

¹⁸ Tamer Çetin and Fuat Oğuz, *The Regulation of Istanbul Taxi Market: Is It Working?* Preliminary Draft of TUBITAK Project (March, 2007), p. 5.

¹⁹ Bekken and Longva, "Trends in Taxi Regulation," pp. 1-4.

Quantity Restriction

Quantity restriction usually means the freezing of the number of taxis and controlling the access to the taxi sector. In some countries, instead of a direct restriction on the total number of licenced vehicles, a limitation on the number of allowed firms to operate can be observed.²⁰ Within the scope of certain approaches, quantity restriction also is analyzed on the grounds of monopoly rights. In that case, the conferment of monopoly rights and the exclusive right to a particular mode of operation are handled.²¹

The limitation of entry into the taxi market has a long wide history. This case initially has related to the distribution and auction of licences or medallions to the operators.²² The aims of preventing congestion and pollution also are provided by way of controlling the number of vehicles.²³ In addition to these, the exclusive right to ply for hire is granted by conferring monopoly right. It gives the right to search physically for business in the vehicle within a certain area at ranks or on streets. In order to discern the taxicab, particular identification tools are implemented, such as a distinctive vehicle.²⁴ On the one hand, these kinds of regulation make it easier to control the supply side of market by increasing the cost of access to the market.

Even though quantitative regulation has been applied widely in the taxi market, the degree of regulation ranges from totally closed market to markets without

²⁰ Toner, "Regulation in the Taxi Industry," p. 2.

²¹ M. E. Beesley, "Regulation of Taxis," *The Economic Journal* 83, no. 329 (March, 1973), p. 151.

²² Liston-Heyes and Heyes, "Regulation of the Taxi Industry: Some Economic Background," p. 102.

²³ Beesley, "Regulation of Taxis," p. 152.

²⁴ Toner, "Regulation in the Taxi Industry," p. 2.

any restrictions on the number of operators. The latter denotes that the market is just controlled by limiting the number of vehicles.²⁵ An overview of the licensing regime indicates that almost in all countries a regulation policy has been adopted which is in the local authority's charge. On the one hand, in the exceptions such as the Netherlands and Ireland, the responsibilities which are related to licensing have been transferred to a newly founded Taxi Regulator.²⁶ The cause and effect of their different kind of management is analyzed thoroughly later in the chapter.

Taking all these implementations into consideration, one can wonder how a regulator goes about deciding on the issues of entry. In most countries, the regulator determines the certain number for taxi market by reference to the "index of significant unmet demand" (ISUD), which saves taxi passenger waiting time. In this context, growing delay is taken as an indicator which shows suppressed demand and the taxi number is adjusted accordingly.²⁷ By doing this, while the regulatory process focuses on the information on demand, it ignores the information which is related to the supply side.

Fare Control

For the reason that different countries have applied different approaches to fare regulation, the issue becomes a controversial matter. Beyond fixed and free fare setting policies, the other intermediate practice, such as determined maximum and

²⁵ Bekken and Longva, "Trends in Taxi Regulation," p. 2.

²⁶ European Conference of Ministers of Transport, *Improving Access to Taxis* (2007), p. 29

²⁷ Koehler, "Licence Values in Taxi Markets," p. 53-54.

minimum fares, has to be considered.²⁸ A deregulated taxi market can offer two alternatives to customers. In a fully deregulated market, passengers bargain with drivers for each journey. In the other alternative, every taxi company prepares its own price tariff. In that case, the customer has the opportunity to choose the best option for his or her journey.²⁹ In parallel with the choice of various price tariffs, the issue of being well informed about different tariffs becomes essential. Otherwise price competition becomes meaningless if consumers cannot assess the fare in advance.³⁰

On the one hand, in a regulated taxi market, the charge usually is determined by metering. The regulated price is based on a fundamental formula which concerns distance and time of journey with some fixed cost. The customer can verify the price by matching distance travelled thanks to the meter. In accordance with the purpose of reducing the number of refusals of short journeys, the imposition of a minimum fare is applied. On the ground of various elements such as times of day, crossing the limit of certain location, public holidays and additional passengers, the price tariff can differ.³¹

Fare control can be stated as the specification of the level fare and regulation of the fare structure. Regulation of the level of fare can range from the definition of maximum permissible fare to setting a minimum fare to identifying the actual price which must be charged.³² Regulation of the fare structure indicates governing the

²⁸ Toner, "Regulation in the Taxi Industry," p. 2.

²⁹ Productivity Commission, *Regulation of the Taxi Industry*, Commission Research Paper (1999), p. 18.

³⁰ Bekken and Longva, "Trends in Taxi Regulation," p. 3.

³¹ Liston-Heyes and Heyes, "Regulation of the Taxi Industry: Some Economic Background," p. 102.

³² Toner, "Regulation in the Taxi Industry," p. 2.

principles such as the coherency between time spent and distance travelled, variability of prices throughout the day, an extra charge for multiple passenger and/or luggage.³³

In order to gain a deeper understanding in respect of controlling the level of fare, the concepts of supply and demand have to be considered. The administered price has a vital importance in terms of preserving the equilibrium between supply and demand. If it is determined too low, it would be expected firms to leave the taxi sector. On the one hand, if it is set too high and demand is price inelastic, it would be expected that the profit of taxi firms would increase. The augmentation in profit rate can affect the market in two ways. If the entrance to the taxi sector is not restricted, the number of taxicabs may increase. If a limitation on taxi number is in question, the plates rise in value based on scarcity.³⁴

Within the scope of regulation policies which concern accessing the taxi market and fare control, an authority can pursue one of four policies. Initially, neither fare regulation nor entry regulation can be implemented. In other words, no authorities intervene in the market. Secondly, even though the entry is restricted by the authorities, the fares are not controlled or vice versa. As a last option, both entrances and fares can be regulated.

Quality Control

Controlling quality is an issue which is mainly in connection with the concepts of public safety and security. In line with the purpose of protecting both taxi

³³ Beesley, "Regulation of Taxis," p. 153.

³⁴ Toner, "Regulation in the Taxi Industry," p. 2.

consumers and other road users, a host of requirements related to qualitative standards are implemented.

Most countries have some main requirements for people who want to drive a taxi. As a minimum, the people who want to access the driving profession must possess a valid driver's licence. In many cases, medical and professional requirements are considered as well. Besides being a "fit and proper person," having a passing grade from various special tests can be a required specification in some countries. "the Knowledge"³⁵ is one of the most common area knowledge test examples which needs to be passed by prospective London taxi drivers.³⁶ The requirements, which aim to improve the quality of service, also concerns vehicle standards. In this context, the safety, age and cleanliness of the vehicle are regarded. In addition to these, the vehicle has to be a certain size and its road-worthiness checks have to be under control.³⁷

If quality controls which are especially related to accessing the taxi market are examined on the grounds of quantity restriction, it reveals how they contribute to making new entries rare. Strict quality controls generally lead to an increase in cost. The growing cost paves the way for low access demand. Therefore in some cases, countries can regulate the entry to the taxi market by implementing strict quality controls.

On the one hand, quality control is one of the most debated regulation instruments. For a number of consumers, paying a low fare may be the most essential issue. Therefore, quality control is criticized in respect of eliminating the alternative

³⁵ For further information on "the Knowledge" test, see Chapter Three.

³⁶ Bekken and Longva, "Trends in Taxi Regulation," p. 2-3.

³⁷ Toner, "Regulation in the Taxi Industry," p. 1-2; Liston-Heyes and Heyes, "Regulation of the Taxi Industry: Some Economic Background," p.101, 103-104.

which offers low price with low quality. Furthermore, for a consumer who knows the area well enough, it removes the option of a cheaper but less knowledgeable driver.³⁸

Segments of the Taxi Market

Even though all taxis offer a similar service in terms of providing door-to-door passenger service according to demand, their activities can be segmented into a number of sub-markets. Different market segments gain importance on the basis of indicating different kinds of regulatory approaches. In addition, having a deeper understanding of taxi market segments contributes to comprehending the nature of the taxi industry much better. In the taxi sector, three primary market segments exist. Namely, these are the taxi rank segment, the hailing segment and the telephone-booking segment.

The first two concepts can be referred to as “the street work segment” or “cruising market.”³⁹ According to most countries transportation systems, these two segments are unique to the taxi industry. On the one hand, there are various problems which are connected to whether the consumers are well informed about the sector or not. The imperfect and asymmetric information are the matters which are frequently observed.⁴⁰ If the fare system is controlled just by determining a minimum and maximum fare level, the majority of the passengers may not know the prices which can vary in regard to each taxi rank. Furthermore, in the absence in regulation, during

³⁸ Toner, “Regulation in the Taxi Industry,” p. 2.

³⁹ Productivity Commission, *Regulation of the Taxi Industry*, p. 3-4; Bekken and Longva, “Trends in Taxi Regulation,” p. 4.

⁴⁰ Bekken and Longva, “Trends in Taxi Regulation,” p. 4.

off-peak periods, drivers could be involved in aggressive price competitions amongst themselves and also with passengers.⁴¹

In the context of telephone-booking or phone-booking system, the consumer pre-selects a taxi by applying to a taxi company. In contrast to the rank and hail market, the telephone-booking segment does not suffer from the same pressure of effective competition. The consumers can seek price tariffs from a range of companies and evaluate the offers by considering their price and quality combination.⁴² On the one hand, although the telephone-booking segment seems to be offering a desired service at an acceptable fare, the tendency of creating its own monopoly market is examined in this sub-market. In this case, the high cost of the dispatching central paves the way such a monopolistic behavior.⁴³ Most of the customers can use the telephone-booking element based on its feature of immediate access. It would be enough to call a centre and let the operator know your location. In accordance with this easiness, the telephone-booking has met a growing demand in recent years. On the one hand, the growing demand results in prioritizing the customers who provide better earnings.⁴⁴

In line with the purpose of preserving the balance amongst these market segments, proponents of the regulation policies emphasize the necessity of certain implementations which contribute to adjust the level of competition and protect the consumer against overcharging.

⁴¹ Productivity Commission, *Regulation of the Taxi Industry*, p. 6.

⁴² *Ibid.*, p.7.

⁴³ Bekken and Longva, "Trends in Taxi Regulation," p. 4.

⁴⁴ Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 14.

The Discussion among Economists

The deregulation of the taxi market has become a hotly debated issue since the late 1960s. At that time, it could be noticed that in most cities of Europe and North America, the supply of taxi services was controlled in terms of both fares and quantities by the regulators.⁴⁵ An overview which handles the controversy between economists indicates that a number of economists found the regulatory policies inefficient. According their perspectives, they have been partly or totally abolished.⁴⁶ On the one hand, some of them have suggested a model comprised of deregulation of entry while preserving fare control.⁴⁷ For others, deregulation has lead to higher prices for passengers and a decrease in service quality as a result of market failures.⁴⁸

Soon after these debates, several cities and states in the USA began to implement deregulation policies into their taxi markets. More recently, it could be observed that various countries in Europe have started to impose deregulatory practices into their taxi sectors. The Netherlands, Ireland, Sweden and Norway are

⁴⁵ Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 1.

⁴⁶ For a broad discussion on efficiency of regulation policies, see R. B. Coffman, "The Economic Reasons for Price and Entry Regulations of Taxicabs. A Comment," *Journal of Transport Economics and Policy* 11, no. 3 (September, 1977), pp. 288-297; D. J. Williams, "The Economic Reasons for Price and Entry Regulations of Taxicabs. A Comment," *Journal of Transport Economics and Policy* 14, no. 1 (January, 1980), pp. 105-112.

⁴⁷ For a broad discussion on this circumstance, see M. E. Beesley, "Regulation of Taxis," *The Economic Journal* 83, no. 329 (March, 1973), pp. 150-172; A. De Vany, "Capacity Utilisation and Alternative Regulatory Constraints: An Analysis of Taxi Market," *Journal of Political Economy* 83 (1975), pp. 83-94; C. F. Manski and J. D. Wright, "Nature of Equilibrium in the Market for Taxicab Services," *National Research Council Transportation Research Record*, no. 619 (1977), pp. 11-19.

⁴⁸ For a broad discussion on problems of deregulation, see D. Robert Cairns and Catherine Liston-Heyes, "Competition and Regulation in the Taxi Industry," *Journal of Public Economics* 59, issue 1 (January, 1996), pp. 1-15; Bruce Schaller and Gorman Gilbert, "Factors of Production in a Regulated Industry: Improving the Proficiency of New York City Taxicab Drivers," *Transportation Quarterly* 49 (Fall, 1995), pp. 81-91; C. Shreiber, "The Economic Reasons for Price and Entry Regulation of Taxicabs," *Journal of Transport Economics and Policy* 9, no. 3 (September, 1975), pp. 268-304.

the main samples which are analyzed in terms of efficiency of deregulated taxi markets.⁴⁹

In order to understand the changing perspective and implementation of various European states, it seems beneficial to consider the political decisions of European Union which are related to the liberalization of the economy. The admission to the occupation of the road haulage and passenger transport was recognized with the EU Council Directive 96/26. By doing this, the directive aimed to replace quantitative controls with qualitative ones.⁵⁰ In fact the directive considers transport operators using vehicle suitable to carry more than nine passengers including the driver and does not directly regard taxis. However, certain European countries such as Sweden and Norway have used the direction as a framework for the legislation of taxi operators.⁵¹

On the one hand, the empirical results of these manifold initiatives which aim to deregulate their taxicab markets in different degrees have lead to mixed results. The analyzes which focus manifold deregulation cases generally indicate that if entry restrictions and fare controls are both relaxed, the number of taxicabs sharply increases.⁵² As a consequence of a relaxed entry control, a driver's licence and a down payment on a vehicle become sufficient to access the taxi market. This comes to mean relatively a lower cost of entry. Such a circumstance paves the way for a

⁴⁹ Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 1-2.

⁵⁰ The full text of this directive is available from <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31996L0026:EN:HTML>.

⁵¹ Bekken and Longva, "Trends in Taxi Regulation," p. 4-5.

⁵² Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 2.

sharp increase in the number of new taxis on the road.⁵³ This kind of an increase contributes not only to shorter waiting times for customers, but also long vehicle queues, environmental pollution and congestion at airports and taxi ranks.⁵⁴

In the sense of operating efficiency and productivity, a decline in taxi productivity as a natural result of an increase in the number of vehicles within the market can be observed. If the number of daily trips per cab or the trips per shift takes into consideration, one can easily notice that most deregulated cities have faced stable or declining demand.⁵⁵

Even though one would expect that excess capacity would bring down the prices, the opposite results generally have occurred in deregulated cities.⁵⁶ In accordance with the purpose of observing price variance, a study was conducted by Roger Teal which focused on the pricing concepts in particular deregulation cases such as San Diego, Phoenix, Seattle and Sacramento. The analysis of these samples stated an increase in price tariffs as a result of imposition of deregulation policies.⁵⁷ The same result also was emphasized in the work of Richard Darbéra.⁵⁸

Within the scope of fare deregulation, the imperfect information and coordination are the main problems which have to be mentioned. As a result of a complete fare regulation, different fare levels have come to exist in the taxi market.

⁵³ Paul Stephen Dempsey, "Taxi Industry Regulation, Deregulation & Reregulation: The Paradox of Market Failure," *Transportation Law Journal* (Summer, 1996), p. 102.

⁵⁴ Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 2.

⁵⁵ R. F. Teal and M Berglund, "The Impact of Taxicab Deregulation in the USA", *Journal of Transport Economics and Policy* 21, no. 1 (January, 1987), p. 52.

⁵⁶ Dempsey, "Taxi Industry Regulation, Deregulation & Reregulation: The Paradox of Market Failure," p. 106.

⁵⁷ Teal and Berglund, "The Impact of Taxicab Deregulation in the USA," pp. 37-42.

⁵⁸ Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 2.

Therefore, a passenger would have an incentive to spend time searching for taxis that have a less expensive price. However, by virtue of inadequate information and coordination, it is hard to know which taxicabs charge which fares. The ineffective match of customer and taxi with particular fare level is emphasized as failure of deregulation.⁵⁹ A centralized intermediary, in the form of call centre is suggested as a solution under these circumstances. Thus, a customer could be informed easily both the fare level and closest taxi location by contacting a call centre.⁶⁰

The change in income is one of the most important indicators which reveals the possible effects of deregulation policies. A number of studies indicate that in many deregulated cities, a decrease in driver income has occurred in spite of higher fares. This situation is directly connected despite the sharp increase in access to taxicab markets, a stable or declining demand. On the one hand, erosion in revenues can result in lowering the quality of taxi services by employing a small or deteriorated vehicle and reducing insurance coverage. By applying such implementations, drivers aim to reduce the cost of market entry.⁶¹

The Main Problems with Regulation and Deregulation

Up to this point, a background has been provided which primarily has included the logic of regulation policies in the taxicab market with its fundamental reasons and tools. As a second step, segments of the taxi sector were defined and various regulation policies which could differ according to each segment were

⁵⁹ Seibert, "Taxi Deregulation and Transaction Costs," p. 71-72.

⁶⁰ Ibid.

⁶¹ Dempsey, "Taxi Industry Regulation, Deregulation & Reregulation: The Paradox of Market Failure," p. 110-111.

analyzed. On the one hand, the other side of the coin which became deregulation could not be ignored. In this context, the controversy amongst economists was explained by examining the reasons and problems of deregulation impositions. At this point, taking everything into consideration, an analysis of the reasons for and against each instruments of regulation will be made.

According to the proponents of entry restriction, a number of reasons support their case. First of all, deregulation of access to the taxi market means results in an excessive demand for rank space on the most popular location. Moreover, if cruising and hailing on the street are permitted, this can easily result in traffic congestion. On the one hand, if an inadequacy in the ranks is in question, then an increase in the number of taxis may lead to an increase in cruising.⁶² From this point of view, they assert that free access culminates in a vicious circle.

The second argument in favor of entry regulation is related to controlling the quality of taxi service. According to this viewpoint, if the administrative burden of regulation is reduced, it directly affects the quality of trade.⁶³ As stated above, although deregulation results in an increase in fares and a decrease in costs, it does not raise driver incomes because of stable or declining demand.

The final claim of the proponents of entry restriction does not connect directly to the taxi market characteristics. It discusses the effects of deregulation in a sector where entry has historically been controlled on the grounds of the value of taxi licences. As a consequence of entry restriction, taxi licences become both valuable and profitable investments. Therefore, many people in the trade have purchased

⁶²Toner, "Regulation in the Taxi Industry," p. 6.

⁶³ Ibid., p. 7.

plates by expecting that the plates will preserve and increase their values.⁶⁴ In this context, it is obvious that the transition from regulation to deregulation leads not only to a decrease in plate sale prices, but also to the disadvantage of plate owners.

From the perspective of the opponents of entry restriction, the concepts of the practice of regulation and economic effects are propounded. According to economists who think that deregulation is the best option to provide efficiency and productivity in the taxi sector, regulation costs money. By virtue of offering a qualified service, the authorities request higher quality vehicles. On the one hand, such a prerequisite increases the cost for entrepreneurs; on the other hand, the cost of setting and enforcing the regulations and restrictions result in more economic burden. In addition to these, the power and patronage which are conferred to the regulator through the way of interfering in the market in terms of setting price and/or limiting the access is argued.⁶⁵

The second argument of proponents of entry deregulation concerns the issue of waiting times. As explained above, if the entry restriction is abolished, there occurs a sharp increase in the number of taxicabs. As a consequence of such an augmentation, passengers face lower waiting times.⁶⁶ Even though the claim of lower price is offered by the opponents of entry restrictions, there exist many cases which assert the contrary.⁶⁷

The third argument draws attention to the very similar hire car sector, which is not controlled by the authorities. The hire car sector acts as a relief valve,

⁶⁴ Ibid.

⁶⁵ Ibid., p. 7-8.

⁶⁶ Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 2.

⁶⁷ Teal and Berglund, "The Impact of Taxicab Deregulation in the USA," pp. 37-42.

decreasing the pressure on the taxi sector in locations where the taxi market is heavily restricted. According to opponents of entry controls, the existence of such a sector paves the way for an external check which provides a particular quality and a proper price tariff.⁶⁸

The entry restriction contributes to make taxi licences both scarce and profitable. As a result of these features of the licences, a secondary market is developed. Additionally, this leads to the creation of a vibrant and profitable market for individuals who rent plates and then act as intermediaries between owners and drivers.⁶⁹ Thus, an illegal sector in which licences are bought and sold at outrageous prices is created.

Fare control is advocated mainly on the basis of equity issue. It seems true that certain areas of a city become dissimilar in terms of popularity and density. In some areas, individuals may use taxi services more frequently than in others. By controlling the fare, it is intended to prevent the exploitation of ignorant consumers or consumers in a weak bargaining position by setting the price tariff.⁷⁰

On the one hand, the most common argument against price control is that private hire fares are not controlled by the authorities. They argue the issue on the grounds of an existing sample sector. Additionally, according to their opinions, if price competition becomes feasible, then the market can produce a more efficient solution than the implementation of fare control. Secondly, determination of the fare level is a typical problem in accordance with their perspectives. The increase in fare generally is identified on the grounds of changes in the average price level or

⁶⁸ Toner, "Regulation in the Taxi Industry," p. 8.

⁶⁹ Sean D. Barrett, "Regulatory Capture, Property Rights and Taxi Regulation: A Case Study," *Institute of Economic Affairs* (Oxford: Blackwell Published, December 2003), p. 35.

⁷⁰ Toner, "Regulation in the Taxi Industry," p. 9.

motoring costs. However, optimal fares depend on market conditions and in the course of their determinations, locational differences have to be considered.⁷¹

The debates which regard the necessity of quality controls are relatively much less. By reason of protection, both customers and other road users, certain vehicle and driver standards are justified. The origin of the controversy depends on the inappropriate level of controls. In this context, it is emphasized that as long as quality controls are not used as a back door way of keeping taxicab numbers down, they may be defensible in terms of public safety and public order.⁷²

In this chapter, I discussed different perspectives on both the regulation and deregulation of the taxi sector. Using these perspectives as a background, in following chapters, I will analyze individual counties as well as the Istanbul taxi market. The next chapter analyzes countries and cities including London, New York, Paris, the Netherlands and Dublin. Within the scope of Chapters Four and Five, I turn to the Istanbul taxi market and try to analyze how it is regulated and what kinds of results occur.

This background is significant in terms of indicating what kind of policies are implemented based on what kind purposes. Additionally, it is essential to comprehend at which point regulation is defined as an unnecessary and inefficient implementation. Such a perspective provides an important foundation which is necessary when facing the problems of taxicab sector.

⁷¹ Ibid.

⁷² Ibid., p. 9-10.

CHAPTER THREE

EXPERIENCES WITH (DE)REGULATION IN THE TAXI MARKET

The taxi industry is striking by reason of being one of the few industries where quantities and fares are still regulated to a great extent. However, making comparisons indicates a considerable diversity when it is analyzed based on the regulation of taxi market regarding both differences between countries as well as differences within countries. In other words, the degree of implemented regulation policies may differ according to countries and/or cities. General political and economic views on the role of government may pave the way while determining reasons for and against regulation. In this respect, the taxi market is no exception.

In this context, this chapter has two fundamental purposes. Initially, it aims to offer an overview which describes the current approaches in European taxi regulation with its particular characteristics. By doing this, it also intends to point out several experiences with regulatory changes in the taxi market briefly. As a second step, the taxi industries of certain cities/countries are analyzed thoroughly in terms of their management policies and implementations. In accordance with this objective, five cities and countries which namely New York, London, Paris, the Netherlands and Dublin, are handled by aiming to indicate their taxi markets' pros and cons. The reason why these particular samples were chosen is each of these countries and cities reflects a specific feature of the taxi industry. By presenting a framework which includes not only the regulated taxi market, but also intermediate and deregulated taxi market samples, it will establish a foundation which provides an opportunity to make comparisons with the Istanbul taxi sector.

An Overview of Regulatory Approaches in Europe

The taxi industry, which focuses mainly on the domestic and local market, is not a homogeneous market. As it was stated within the scope of previous chapter, it implicates different market segments which may call for different regulation policies. On the one hand, the management policies of taxi service varies regarding to having a single-tier system or two-tier system. While some cities have a single-tier system which regulates their taxi service on the ground of same controls and policies, the others have a two-tier system which allows charging freely by providing certain conditions.⁷³

Besides taxicabs, Private Hire Vehicles (PHVs) provide a similar local service as well. It is local because the majority of the trips take place within a city or region. Related with this local focus, the taxi market and its regulation have developed in a varied manner throughout Europe. The table below provides a brief summary of the quantity regulation on the number of taxi operators in some European countries and cities.

Table 1. Summary of Quantity Regulations in Some European Countries

National Legislation on Access to the Market		No National Legislation (Local Authority Decides)
Number of operators regulated	Number of operators not regulated	Great Britain (not regulated in London), Belgium, Switzerland
Norway, Finland, Germany, France, Spain	Sweden, the Netherlands, Ireland, Austria, Hungary	

Source: Bekken, J.-T. *Taxi Regulation in Europe-Final Report* (Geneva: the International Road Transport Union (IRU), 2003), cited in Jon-Terje Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," p. 40.

⁷³ Jon-Terje Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," in *(De)Regulation of the Taxi Industry*, edited by the Transport Research Centre, Report of Round Table 133 (OECD and ECMT, 2007), pp. 35-39; Toner, "Regulation in the Taxi Industry," p. 10.

As the table indicates, in Great Britain, Belgium and Switzerland, the power to take decision belongs to local the authorities. As a consequence, regional differences may occur. On the one hand, Sweden, the Netherlands, Ireland, Austria and Hungary are examples in which the entry to the market is free.

In some cases, a static restriction on the number of taxis, in other words a predetermined ceiling, is implemented by aiming at the regulation of quantity. Brussels is stated as an illustration of a predetermined ceiling although expansion is possible for some categories.⁷⁴ Population ratio can be used as objective criteria while deciding the number of licenced taxis. In that case, the chosen criterion has to be observable and the number of licences is calculated according to these observations. Although objective criteria do not seem to be common in Europe, in some German cities and the Belgian region of Flanders, such implementations have been observed. The most common criteria for issuing new licences are subjective criteria. Public need, excess demand and excess driver profits are analyzed by aiming to determine number of taxicabs.⁷⁵

When considering quality controls, taxi driver and vehicle requirements are mainly indicated in Europe. In most cities, an evaluation of criminal record is required in order to become a taxi driver. Apart from this, a variety exam can be required in terms of assessing knowledge of the relevant laws as well as of the geographical area.⁷⁶ As it is indicated in previous chapter, “the Knowledge” is the best-known exam which is required in London. The table below presents the major taxi driver requirements in some European countries in brief.

⁷⁴ Bekken, “Experiences with (De-)Regulation in the European Taxi Industry,” p. 40.

⁷⁵ Ibid., p. 40-41.

⁷⁶ Ibid., p. 44.

Table 2. Taxi Driver Requirements in Europe

	Criminal record check	Professional Competence			Medical Certificate	Validity of taxi driver's licence
		Type of exam	Local area knowledge test	Other		
Austria	X	Written	Yes (included in exam)		X	Unlimited
Brussels	X	Mixed	Yes (included in exam)	Driving test optional (local choice)	X	Must be renewed yearly
Finland	X	Written	Yes	Course required	X	Until revoked
France	X	Written		Course required	X	1 year
Germany	X	Written	Yes (included in exam)			5 years revocable
Hungary	X	Written	Yes (included in exam)	3 week course required	X	Until revoked
Ireland	X	Written (in Dublin)	No			5 years
the Netherlands	X	None			X	
Norway	X	Optional-Written	Optional (local choice)		X	
Spain	X	Written	Yes (included in exam)			
Sweden	X	Written	Optional (local choice)		X	Until revoked
Geneva	X	Written	Yes		X	Unlimited
London	X	Interview	Yes		X	3 years renewable revocable

Source: Bekken, J.-T. *Taxi Regulation in Europe-Final Report* (Geneva: the International Road Transport Union (IRU), 2003), cited in Jon-Terje Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," p. 44.

Regarding the regulation of fares, it is pointed out that most countries and cities have same kind of regulation which becomes fixed fares or maximum fares. In this context, Austria, Germany, Dublin and London have fixed fares. On the one hand, Belgium, Finland, France, Budapest, Dublin, the Netherlands, Norway (in some cities) and Geneva in Switzerland have maximum fare implementation. Only

Sweden in nationwide and some Norwegian cities do not have fare regulations.⁷⁷

While in certain countries such as Belgium, Switzerland and Great Britain local authorities have great discretion, in some cases such as Finland, the Netherlands and Norway, the national authorities decide the fare.⁷⁸

Within the scope of fare regulation, the other component of this local service which is called Private Hire Vehicle, (PHV) has to be analyzed. In certain countries and cities such as Austria, Germany, Dublin and London, PHVs are not regulated in terms of their price tariffs.⁷⁹ For these places, PHVs serve as a model of deregulated fare implementation. Therefore, the service of Private Hire Vehicle is at the centre of the discussion related to the advantages and disadvantages of deregulation policies. Within the following chapters, while analyzing the taxi sector in Istanbul with its illegal component, I refer to the particular characteristics of the service of Private Hire Vehicle in order to imply both similarities and dissimilarities.

On the ground of the literature which considers the experience with changes in taxi regulation, it could be stated that many countries have reconstructed their legislations related to taxi service in order to provide higher quality with affordable prices. Furthermore, in parallel with the same purpose, several countries and cities have removed regulations and increased competition.⁸⁰ In this context, the table below offers an overview which defines the regulatory changes of certain countries roughly.

⁷⁷ Bekken and Longva, "Trends in Taxi Regulation," p. 5-6; Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," p. 45-46.

⁷⁸ Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," p. 45.

⁷⁹ Ibid., p.46.

⁸⁰ Bekken and Longva, "Trends in Taxi Regulation," p. 7.

Table 3. Overview of Regulatory Changes

Country	Ireland	New Zealand	Sweden	Canada
Market Access	Quantity restrictions removed. Second hand value of licences wiped out.	Quantity restrictions removed.	Quantity restrictions removed. Licensing areas merged.	Different approaches
Quality Standards on Operators	Enhancement foreseen.	Enhanced DC affiliation introduced. PHVs and taxis equally treated.	Enhanced some years after deregulation	Enhancements
Quality Requirements on Taxi Drivers	Enhancement foreseen.	Mainly unchanged.	Enhanced some years after deregulation	Enhancements
Other Requirements	No change.	Enhanced.	Enhanced some years after deregulation	
Fare Regulation	Unchanged. (Fixed by local authority)	Removed.	Enhanced some years after deregulation	Unchanged
Major Goal of the Change	Reduce the mismatch between supply and demand. (increase availability)	Part of the general deregulation of the economy. Reduce the difference between taxis and other passenger service vehicles. (PHVs and others)	Create a more efficient industry. Reduce the mismatch between supply and demand, increase price competition	To increase safety and quality

Country	Norway	The Netherlands (Stepwise Deregulation)	USA (Reregulation on several aspects later)
Market Access	Unchanged. Some licence areas merged.	Quantity restrictions removed. Licensing areas merged.	Quantity restrictions removed in most of the deregulated cities.
Quality Standards on Operators	Enhanced.	National standard requirements introduced	Usually enhanced after some years. In particular fleet sizes and other operating requirements are introduced.
Quality Requirements on Taxi Drivers	Unchanged.	National standard requirements introduced	Usually unchanged.
Other Requirements	Unchanged.	Enhanced.	Usually unchanged.
Fare Regulation	Removed in some urban areas.	National maximum fares introduced instead of local fixed fares.	Mainly removed.
Major Goal of the Change	Increase competition and supply.	Strengthen the role of taxi as a complement to other modes of public transport. Increase the use of taxis.	Primarily based on the advantages of free competition. Also to increase supply, level of service and reduce fares. In some cases to reduce the bureaucracy.

Source: John-Terje Bekken and Frode Longva, "Trends in Taxi Regulation," *Association for European Transport* (2004), p. 8.

Even though the regulatory changes ranges from removing quantity restrictions to deregulating the fares, the essential aims of the changes become reducing the mismatch between supply and demand and proving a more efficient and competitive taxi market. A cursory glance at the table indicates the uniqueness of the USA sample by referring to its reregulation policies. Additionally, most of the countries, except Norway, have removed the quantity restrictions. In the sense of fare control, while Ireland has kept relatively strict regulations on fares, countries such as Norway, New Zealand and Sweden have been deregulated extensively. However, it is also worth indicating that these countries which have deregulated fares have put strict requirements on putting information into practice, latterly.⁸¹

On the other hand, it is crucial to analyze these regulatory changes in terms of their results. In other word, it is essential to look into that whether these regulatory changes culminate in as predicted or, not. In this sense, the table below presents a summary which reveals the outcomes of certain regulatory changes.

Table 4. The Outcome of Regulatory Changes

	Market Characteristics	Numbers of Vehicles	Fares	Level of Service
Ireland (Entry deregulated)	The taxi rank and hailing segments dominate. (Dublin)	Massive increase. (+200% in Dublin, +100% on average)	Still regulated.	Reduced waiting time for customers nationwide. Primarily at taxi ranks. Small improvements in telephone booking segment.
New Zealand (Fares and entry deregulated)	The telephone booking segment important, in particular outside urban areas.	Massive increase (+160%, 1989-2001, on average). Marginal decrease in taxi numbers as well as availability in	Decline in real terms, increase in nominal terms. Fares increased in real terms in rural areas.	Reduced waiting time. Far greater range of services.

⁸¹ Ibid., p. 9.

		rural areas.		
Sweden (Fares and entry deregulated)	The telephone booking segment dominates. Large share (56%) of trips subsidized (primarily in rural areas).	Increase immediately after deregulation, stable thereafter. No long-term increase in rural areas. Efficiency has decreased.	Immediate increase (real terms), stable thereafter. The major increase occurred in medium cities and rural areas. The cost of subsidized trips increased in rural areas and decreased in cities.	Reduced waiting time, no change in consumer satisfaction.
Norway (Fares deregulated in some areas)	The telephone booking segment dominates nationwide. Large share (20%) of trips subsidized (primarily in rural areas).	No change due to deregulation.	Immediate increase (real terms), stable thereafter. Greater fare differentiations (most prominent in large cities).	The supply at night and weekends has increase due to the increased revenue potential caused by fare differentiation.
The Netherlands (Entry deregulated, maximum fares)	The taxi rank segment dominates in the largest cities, telephone segment elsewhere. Large share of public, subsidized trips, primarily in rural areas.	Significant increase in the number of taxis, primarily at taxi ranks.	Increased in first year and fell the second year (real terms).	Increased availability most pronounced at taxi ranks at weekends. Taxi usage has only increased marginally in urban areas and decreased in rural areas.
USA	Very different, however; street work dominates in urban areas.	Massive increase (+18% to +127%)	Increasing	Unchanged
Canada	Very different; however street work dominates in urban areas.	Increase	N/A	Increased availability, reduced quality.

Source: Bekken, J.-T. and F. Longva, "Impacts of Taxi market Regulation-An International Comparison, Annex J," *The Regulation of Licensed Taxi and PHV Services in the UK* (London: Office of Fair Trading (OFT), 2003), cited in Jon-Terje Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," p. 53.

Initially, while the table is examined in terms of the consumer welfare of different regulative policies, there is a range which differs according to location and market characteristics. The table also indicates that the waiting time of customers and the availability of taxicabs improve in pursuit of the abolition of entry controls. On the one hand, more specifically, this situation exists in urban areas and at taxi ranks.

As another point, the cost of this increase has to be considered, as well. In this context, as a consequence of the increase in the number of vehicles, fares may increase.

In addition to these, different market characteristics are essential in order to analyze the effects of regulatory changes. The removal of quantity restrictions affects to a great extent urban areas and the taxi rank segment. On the grounds of the deregulation of fares, in rural areas and in the street work segment, the fare increase is greater compared to urban areas and the telephone-booking segment.⁸²

To sum up, in accordance with this information, there seem to be two main trends in regard to taxi regulation. Primarily, many countries have deregulated their taxi markets in terms of quantity restriction. Furthermore, this kind of deregulation policy is also on the agenda of the other countries. Secondly, in parallel with the changes in European Union legislation, strict quality standards are being presented in various countries. Regarding the fare controls, while several countries continue to regulate the fares, certain countries have preferred to deregulated fares. However, these countries have imposed strict requirements in respect to getting information.

At this point, the thesis focuses on the taxi industries of certain cities and countries in terms of their management policies and implementations.

London

While analyzing London's taxi market, it has to be considered that it is operated unlike the taxi markets in the rest of the United Kingdom.⁸³ In London,

⁸² Ibid.

⁸³ Giles K. Bailey, "Home-Link: A New Linked Taxi Service from London Transport," European Transport Conference (1998), p. 52.

there are two taxi markets which conduct two distinct sets of regulation policies. In this context, while one manages the taxi rank and street hailing segment, the other is the telephone- booking segment. As was mentioned in the previous chapter, the customer pre-selects a taxi by applying to a taxi company in the telephone-booking segment. In other words, in London, the regulation of the transportation system is based on a two-tier system. In accordance with this implementation, there are separate regulations for the Private Hire Vehicles and the taxi sector.⁸⁴

In London, the term “taxi” mainly refers to the typical black cabs or hackney carriages. These kinds of taxi services are strictly regulated.⁸⁵ Following the establishment of the Transport for London in 2000, it took over the responsibilities related to taxi regulation in London from the Metropolitan Police. Currently, the transportation service the Public Carriage Office is a part of Transport for London’s Surface Travel Directorate.⁸⁶

In terms of fare controls, these taxis are metered. In terms of quality controls, the Knowledge test needs to be passed by any prospective taxi driver. Black cabs can be hailed on the street or they can be found at taxi ranks. While there are a large number of black cabs in Central London, the circumstance is different for outer London, as the black cab taxi sector does not find it profitable to serve outer London.⁸⁷

⁸⁴ Darbéra, “Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries,” p. 2-3.

⁸⁵ Bailey, “Home-Link: A New Linked Taxi Service from London Transport,” European Transport Conference, p. 52.

⁸⁶ J. P. Hawthorne, R. Miller, A. Henderson and E. Thompson, “New Developments in Taxi and Private Hire Operation In London,” European Transport Conference (2004), p. 1

⁸⁷ Bailey, “Home-Link: A New Linked Taxi Service from London Transport,” European Transport Conference, p. 52.

The second type of taxi service is called the Private Hire Vehicles. This service is also known as minicabs.⁸⁸ It is remarkable that this service cannot use the term “taxi” to define its sector. The major difference between the cabs and Private Hire Vehicles is that pre-booking through a licensed operator is necessary for the latter. In other words, Private Hire Vehicles cannot be hailed on the street or ordered at taxi ranks.⁸⁹ On the other hand, the service of Private Hire Vehicles is not regulated in terms of price tariffs by certain authorities. In the sense of fare controls, this service is completely deregulated. In addition, Private Hire Vehicles’ drivers are exempt from the Knowledge test. A Criminal Check Record is sufficient in order to work as a Private Hire Vehicles’ driver.⁹⁰

Currently, there are about 21,000 licensed taxicabs and 25,000 licensed taxicabs drivers in London. On the one hand, licensing the service of a Private Hire Vehicle is in the process in London. In this context, two thousand Private Hire operators are licensed. It is expected to complete the licensing of 40,000 drivers.⁹¹

As another significant point related to the London taxi industry, the large demand for the service of Private Hire Vehicles has to be considered. In most districts of London, outside the central area, there exist numerous Private Hire Vehicles operators. They provide services ranging from high quality chauffer

⁸⁸ Hawthorne, Miller, Henderson and Thompson, “New Developments in Taxi and Private Hire Operation in London,” European Transport Conference, p. 1.

⁸⁹ Ibid.

⁹⁰ Darbéra, “Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries,” p. 5.

⁹¹ Hawthorne, Miller, Henderson and Thompson, “New Developments in Taxi and Private Hire Operation in London,” p. 1.

services in premium vehicles at premium prices to journeys to airports at discount prices.⁹²

The pattern of Private Hire Vehicles which serve in London has a different importance when compared to that of the taxi sector in Istanbul. One can easily notice the similarity between the Private Hire Vehicles in London and the illegal component of the taxi sector in Istanbul in terms of the kind of service provided. On the one hand, while the former serves as a part of legal and official market, the latter offers an illegal and informal service. At this point, in the view of this sample, it may be questioned why this sub-sector in Istanbul is not regulated and remains illegal and informal.

The USA and New York City

During the 1930s, the taxi industries in most US cities were conducted by municipal or state authorities. By reason of the extremely competitive conditions following the Great Depression, while finding a job became harder, the taxi market became an attractive opportunity in terms of its low cost.⁹³ Therefore, in order to reduce the increased number of taxi vehicles, quantity restrictions were introduced.⁹⁴ On the one hand, during the 1970s and 1980s, many cities and states engaged in deregulated implementations of their taxi markets. These kinds of attempts resulted

⁹² Bailey, "Home-Link: A New Linked Taxi Service from London Transport," European Transport Conference, p. 52-53.

⁹³ Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," p. 47.

⁹⁴ Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 3.

in mixed and different outcomes for each city or state. Moreover, in some cases, these implementations were cancelled.⁹⁵

Regarding the results of the deregulation policies, several empirical studies have been conducted and various papers have been written. One of these studies reveals that the deregulation of entry and fare in several cities and states in the USA led to a sharp increase in the number of taxi vehicles. In parallel with this increase, while the waiting time of the customers became shorter, the vehicle queues grew longer and congestion became a serious problem. On the other hand, the price tariffs also generally increased, contrary to expectations.⁹⁶ During the 1990s, as a consequence of increased prices and decreased quality, the re-regulation initiatives in several cities in the USA such as Seattle and King County drew attention.⁹⁷

As in London, also in New York, the regulation of the transportation system is based on a two-tier system. In line with this implementation, there are separate regulations for the For Hire Vehicles and the taxi sector. In terms of regulation policies, New York is no exception. Strict quantity restriction was implemented during the 1930s there as well.⁹⁸

In New York, the term “taxi” mainly refers to a yellow cab or medallion taxi. The taxi market is definitely divided in terms of the kind of provided service. While yellow taxis can be hailed on the street or they can be found at taxi ranks, the For Hire Vehicle has a monopoly on the telephone-booking segment. It is worth noting

⁹⁵ Ibid., p. 2.

⁹⁶ For further information, see R. F. Teal and M. Berglund, “The Impact of Taxicab Deregulation in the USA,” *Journal of Transport Economics and Policy* 21, no. 1 (January, 1987), pp.37-55; Price Waterhouse, *Analysis of Taxicab Deregulation and Re-Regulation*, prepared for the International Taxicab Foundation (Washington D. C.: November, 1993).

⁹⁷ Report to the Honourable Harry Lali Minister of Transportation and Highways, *A Study of the Taxi Industry in British Columbia* (15 June 1999), p.36.

⁹⁸ Darbéra, “Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries,” p. 3.

that following the deprivation of the right to accept telephone-booking rides, the number of taxi vehicles remains frozen until 1996 as compensation. In this way, the owners of taxi licences were guaranteed that the value of the taxi licences could only increase.⁹⁹

As another essential point related to the New York taxi market is that the service of For Hire Vehicles includes car service vehicles, black car and luxury limousines. Currently, the Taxi & Limousine Commission is an authority which is responsible for licensing and regulating 13,000 medallion taxicabs and For Hire Vehicles. In terms of fare controls, while the taxicab of New York is regulated, the For Hire Vehicle is deregulated. Besides, in terms of quality, both markets control their drivers' aptitudes by testing them. The market of For Hire Vehicles also requires a criminal record check to its prospect drivers.¹⁰⁰

Like the pattern of Private Hire Vehicles which serve in London, the For Hire Vehicle is also remarkable in point of similarity to the illegal component of the taxi sector in Istanbul in terms of the kind of provided service. However, For Hire Vehicles serve as a part of the legal and official market while the illegal component of the taxi sector in Istanbul does not. These two samples indicate that this kind of service which is illegal and informal in Istanbul officially could be included as in London and New York.

Paris

Similar to the London and New York taxi markets, in Paris, the regulation of the transportation system also is based on a two-tier system. This means that there

⁹⁹ Ibid., p. 4.

¹⁰⁰ Ibid., p.4-5.

are two distinct markets for transport, by taxi and by Voiture de Remise (Private Hire Vehicle).¹⁰¹ Voiture de Remise offers a service which corresponds to the Private Hire Vehicle in London and For Hire Vehicles in New York. In other words, Voiture de Remise provides a service through the telephone-booking segment.¹⁰²

Until telephone use became common, while the service of Voiture de Remise was slightly regulated, it did not prevail for the taxi market in Paris. As seen in New York, following the Great Depression, strict quantity restrictions were introduced in Paris to control the number of taxi vehicles. However, in line with increase in the use of the telephone, reaching the service of Voiture de Remise became easy.¹⁰³ This progress changed the structure of two distinct taxi markets in Paris. In parallel with circumstance, the regulator tried a different way and in contrast to London and New York, extended the taxi's monopoly over the telephone-booking segment.¹⁰⁴ As a consequence, a gradual decline occurred within the service of the Voiture de Remise.

Currently, the Préfet de Police under the Minister of the Interior is the authority responsible for licensing the 15,000 taxis in the city of Paris. In terms of fare controls, while the taxi of Paris is regulated, Voiture de Remise is deregulated. Additionally, on the ground of quality, the taxi market controls its drivers' aptitudes by testing them.¹⁰⁵ In the context of quantity restriction, while the taxi market is regulated strictly, the number of Voiture de Remise is not controlled. However, even

¹⁰¹ Richard Darbéra, "When the Regulator Acknowledges the Existence of two Distinct Markets for Taxi Services," in *(De)Regulation of the Taxi Industry*, edited by Transport Research Centre, Report of Round Table 133 (OECD and ECMT, 2007), p. 119.

¹⁰² Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 3.

¹⁰³ Ibid.

¹⁰⁴ Darbéra, "When the Regulator Acknowledges the Existence of two Distinct Markets for Taxi Services," p.120.

¹⁰⁵ Darbéra, "Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries," p. 4-5.

though the number of *Voiture de Remise* is not confined by the authorities, the regulator extends the taxi's monopoly over the telephone-booking segment.

Therefore, the service of *Voiture de Remise* has almost disappeared in Paris.¹⁰⁶ In other words, there exists a planned suppression of the service of *Voiture de Remise*.

The experience of Paris is an essential sample in terms of its policy regarding the service of the *Voiture de Remise*. In contrast to London and New York, the regulator carries out an implementation which preserves the taxi market in Paris. However, unlike the illegal component of the Istanbul taxi market, the service of *Voiture de Remise* is a part of the legal and official transportation system in Paris. As seen in the pattern of Paris, there is a similarity between the illegal component of the Istanbul taxi market and the service of *Voiture de Remise* in the sense of the kind of provided service. On the one hand, as distinct from the London and New York experiences, in Paris, taxis can also offer a service through the telephone-booking segment.

The Netherlands

Until 2000, the Netherlands had a clearly regulated taxi policy which was a part of the 1988 Passenger Transport Act. Analyzing the key points of this Act will present an overview of the act. According to the Act, provincial authorities who were also able to delegate their duties to local authorities were responsible for licensing taxis. Provincial or local authorities controlled the number of the taxi vehicles. In terms of fare controls, there was a price control according to a uniform structure for the entire country. There were strict quality controls by setting requirements for the

¹⁰⁶ Ibid., p.15.

taxi vehicle, the driver and the operator.¹⁰⁷ Besides, the taxi market also was controlled by setting up transport zones. Accordingly, each operator could only work in a certain zone where he registered. However, the journey could be made in or outside of the zone.¹⁰⁸ This implementation which divided the taxi market into certain transportation zones is similar to the Istanbul taxi market. As the study discusses in Chapter Five, in the Istanbul taxi market, there is a division which is determined according to taxi color. In the Istanbul case, some taxis are yellow and some are red. In accordance with the color of taxis, each taxi can only work in a certain transportation region.

Over the years, there have occurred many problems in respect to providing the balance between supply and demand within the taxi market in the Netherlands. As a consequence drivers, operators and customers have difficulties. In parallel with these circumstances, the government has decided to change its policy related to the taxi market in order to increase the role of taxis in passenger transport.¹⁰⁹ A new Passenger Transport Act entered into force in 2000. The main aims of the Act were to strengthen the role of taxi within passenger transport and to encourage passengers to use taxi services more often.¹¹⁰

According to the new legislation, regulation of access to the taxi market was abolished. In other words, entry to the market was deregulated. In terms of fare controls, the fixed fare policy was replaced with the maximum fare regime. At the beginning, the implementation of a maximum fare was planned as the first step of

¹⁰⁷ Peter Bakker, "Deregulation of the Taxi Industry: Experiences in the Netherlands," in *(De)Regulation of the Taxi Industry*, edited by Transport Research Centre, Report of Round Table 133 (OECD and ECMT, 2007), p. 64.

¹⁰⁸ Peter Jorritsma, "Deregulation of the Dutch Taxi Sector," European Transport Conference (1998), p. 37.

¹⁰⁹ Bakker, "Deregulation of the Taxi Industry: Experiences in the Netherlands," p. 64.

¹¹⁰ Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," p. 50.

full deregulation of the fare policy. However, the rapid increase in fares changed the plan and this issue resulted in an extension for the maximum fare implementation. On the one hand, together with the new legislation, a single working area came into force in the entire country.¹¹¹ In other words, the implementation of different working zones was revoked. In terms of quality control, each taxi is subjected to annual tests. Apart from the standard requirements for a driver, an exam which tests the drivers' aptitudes was added in 2005.¹¹²

Within the context of the outcomes of these regulatory changes, in parallel with the deregulation of entrance, a significant increase in the number of taxi vehicles has occurred. On the one hand, the taxi usage has not increased as expected.¹¹³ At the national level, indicators such as "costs of entry," "market dynamism," "supply differentiation," "efficiency," "capacity utilization" and "employment" have gone in the expected direction. However, many issues such as quality and the use of taxis are still waiting. In this context, even though the expected outcomes have not been met, the related developments are not negative. On the other hand, returning to the policy before the deregulation period is not offered as an option in the Netherlands.¹¹⁴

The experience of the Netherlands is essential for this study in terms of indicating a sample which is deregulated in certain aspects. While analyzing the taxi sector in Istanbul, the Netherlands may present a different viewpoint.

¹¹¹ Ibid., p.51.

¹¹² Bakker, "Deregulation of the Taxi Industry: Experiences in the Netherlands," p. 66.

¹¹³ Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," p. 51.

¹¹⁴ Bakker, "Deregulation of the Taxi Industry: Experiences in the Netherlands," p. 76.

Ireland

Ireland is an interesting experience in number of taxi vehicles per capita. Compared to most of the European countries, Ireland has a very high number of taxi vehicles. What is more striking is that the service of Private Hire Vehicles also offers a substantial number of journeys in addition to the services provided by the taxi sector.¹¹⁵

In addition to these, the taxi market in Ireland is divided into two in terms of the segments of the market. In other words, the regulation of the transportation system is based on a two-tier system. In parallel with this policy, there are different regulations for the Private Hire Vehicles and the taxi sector in Ireland. While taxis can be hailed on the street or found at taxi ranks, the Private Hire Vehicles provides a service through the telephone-booking segment. Private Hire Vehicles cannot be hailed on the street or ordered at taxi ranks.¹¹⁶

From 1978 to 2000, the Irish taxi market was strictly regulated in terms of entry and fares. In 2000, in accordance with the proposal of the Ministry of the Environmental and Local Government, it was decided to increase the number of taxi licences from 2724 to 3200. However, the High Court went against the Ministry by stating that quantity restrictions affected the right of the people in terms of working in the sector in which they were qualified. Thus, as a consequence of the High Court decision, entry to the taxi sector in Ireland was deregulated.¹¹⁷

An overview related to certain regulatory changes indicates that the only regulation policy which is completely changed is that of entry to the taxi market. On

¹¹⁵ Bekken, "Experiences with (De-)Regulation in the European Taxi Industry," p. 49.

¹¹⁶ Barrett, "Regulatory Capture, Property Rights and Taxi Regulation: A Case Study," p. 34.

¹¹⁷ Ibid.

the one hand, fares are still strictly regulated, whereas the requirements for the drivers and operators are lightly controlled. Moreover, the deregulation of access to taxi market has led to a massive increase in the number of vehicles. In parallel with this increase, the waiting time for customers decreased. However, this situation prevails for the street work segment, mostly. The deregulation of entry into the taxi market affects the workers type of taxi sector. In this context, the salaried drivers have preferred to become the owners of the taxi licences.¹¹⁸

The experience of Ireland is significant in terms of the analyses of this thesis. The sample of Ireland offers a case which is deregulated in some ways and still regulated in certain aspects. Thus, analyzing different examples in comparison to Istanbul, where the taxi sector is still heavily regulated may provide many different points. In other words, the experience of Ireland gives us a chance in order to examine the Istanbul taxi sector under a deregulated case in some ways.

Within this framework, from now, the thesis focuses on the taxi market in Istanbul. In accordance with this purpose, it initially handles the historical origins of the taxi sector with its major elements.

¹¹⁸ Bekken, “Experiences with (De-)Regulation in the European Taxi Industry,” p. 50.

CHAPTER FOUR
THE LEGAL REGULATIONS AND ILLEGAL PRACTICES OF THE TAXI
SECTOR IN ISTANBUL

Transportation may be defined as the mobilization of living creatures and non-living things from one place to another in simple terms. Since the Industrial Revolution, mechanical means of transport have become a significant part of the individual's daily life. On the one hand, a major increase in vehicles was observed following the Second World War together with the increase in the welfare level of society. In parallel with the increasing number of vehicles, governments have gradually taken into consideration transportation policies in terms of preventing congestion and traffic accidents as well as air pollution control. In this context, Turkey is no exception.¹¹⁹

In Istanbul, urban development is controlled by decision-making bodies from supra-national to local levels. However, most of the decisions related to major transportation projects are taken by Ankara, ignoring the master plans prepared in Istanbul. As a result, Istanbul is still faced with the problem of traffic congestion. Even though there is a rapid increase in car ownership in Istanbul occurred after 1980, it remains at a low level. However, together with the dramatic population growth in Istanbul, congestion and transportation have become crucial problems.¹²⁰ In that case, the public transport services emerge as an essential part of Istanbul transportation system. Public transport services, which include bus, minibus, school bus, rail system and light rail system, can be managed and regulated both by public

¹¹⁹ Trafik Araştırma Merkezi Müdürlüğü, *Türkiye'de ve Bazı Yabancı Ülkelerde Taksi İşletmeciliği ve Taksi Şoförü Olma Şartları* (Ankara: 2002), p. 9.

¹²⁰ Haluk Gerçek, "Is There A Road Ahead?," *Istanbul City of Intersections, Urban Age* (2009), p. 47.

and private enterprises. In addition to these, taxi service is involved as “small capacity vehicles.”¹²¹ It offers a journey the route of which is determined based on the passenger’s request. In other terms, taxi provides a door-to-door service unlike the public transport services.

In terms of geographical conditions, even though Turkey is convenient to road transportation, railway passenger transportation, airline transport and maritime transport, ninety-five percent of the passenger transportation is provided through road.¹²² In this regard, the efficiency of Istanbul’s transport infrastructure has to be questioned by considering its growing population. A report in 1995 indicated that 68.8% of the Istanbul transportation was provided by roads and 32.2 % was supplied via sea. Additionally, 56% of the road transportation was provided by private and taxi vehicles.¹²³

In Istanbul, 41% of the transportation is provided by public transport services. It has a 31 km-long metro network and 163 km-long regional rail infrastructure. A comparison with most developed cities such as London (367 km-long metro network and 1393 km-long regional rail infrastructure) and Berlin (145 km-long metro network and 950 km-long regional rail infrastructure) indicate the inadequacy of the Istanbul transport infrastructure.¹²⁴ This construction of the Istanbul transport network affects the taxi sector in Istanbul in terms of its service mode. In the earlier

¹²¹ Ibid., p.10.

¹²² TŞOF 50. Yıl Kitapçığı, *Şoför ve Nakliyeciler Esnafının Yarım Asırlık Örgütü TŞOF Mesleki Mücadelesi Toplumsal Yaşamdaki Yeri ve İşlevi Şoför ve Nakliyeciler Esnafının Sorunları Çözüm Önerileri* (Ankara: TŞOF, 2003), p.16.

¹²³ “3. Ulaştırma Kongresi,” cited in *Ulaştırma Kongresi Bildiriler Kitabı* (İstanbul: İnşaat Mühendisleri Odası, 1995), n.p.

¹²⁴ “Transport and Mobility,” *Istanbul City of Intersections, Urban Age* (2009), p. 30.

stages, taxi served as a part of the individual transport system. However, nowadays, it mostly serves as a para-transit service.¹²⁵

Additionally, in 2007, the Metrobus, in other words, bus rapid transit (BRT) system, was opened and operates along a route between Avcılar on the European side and Söğütluçeşme on the Anatolian side.¹²⁶ While the system's total length is 43 km currently, the daily use of passengers is claimed to be around 850,000.¹²⁷ The secretary general of the Istanbul Chamber of Cab Drivers and Artisans indicates how the Metrobus has changed the customer profile of taxis. According to his opinion, together with progress of the Metrobus, while the usage of taxi service has increased, the taxi ride has become shorter. Most of the passengers choose the Metrobus for the long part of their journey. The taxi now serves as a vehicle which works from the Metrobus station to the main destination or vice versa.¹²⁸

In this context, this chapter offers a framework in respect to the taxi sector in Istanbul. In accordance with this purpose, its historical background and major elements are considered and analyzed. To analyze the major elements of the taxi sector, this part also intends to offer a framework regarding how they are regulated. In this context, it considers the related legal regulations. Thus, this study aims to reveal under which circumstances the taxi sector maintains itself in Istanbul. In other words, it questions whether the taxicab sector is operated according to the law and

¹²⁵ The President of the United Taxi Drivers' Association (*Birleşik Taksiciler Derneği-BTD*) Memduh Çırak, interview by the author, tape recording, Halıcioğlu, Istanbul, Turkey, 5 April 2011. Additionally, taxi is handled as a paratransit service in *Sekizinci Beş Yıllık Kalkınma Planı Kentiçi Ulaşım Alt Komisyonu Raporu*. For further information, see *Ulaştırma Özel İhtisas Komisyonu, Sekizinci Beş Yıllık Kalkınma Planı Kentiçi Ulaşım Alt Komisyonu Raporu* (Ankara: 2001).

¹²⁶ "Transport and Mobility," *Istanbul City of Intersections, Urban Age*, p.30.

¹²⁷ Further information is available from <http://www.iETT.gov.tr/metin.php?no=191>.

¹²⁸ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans (*İstanbul Taksiciler Esnaf Odası- İTEO*) Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

regulations or not. In this sense, this chapter intends to show that even though the illegal and informal practices are not part of the regulations, they exist as crucial parts of the taxi sector.

The Historical Origins of the Taxi Sector

The taxicab sector has a deep-rooted history. Even, as early as 1635, hackney carriages existed in London and Westminster.¹²⁹ While it is claimed that the first regular taxi service appears in 1694 together with the constitution of the Hackney Coach Office, the route from London to Birmingham is accepted as the first regular taxi ride in 1814. In the modern sense, it is argued that the first taxis occurred in 1867, in Germany. The German company “Thurn und Taxis”, which was responsible for the postal service of government, began to transport individuals for payment. It is indicated that these vehicles which transport people for payment were called “taxi” by referring to the family’s surname.¹³⁰ The word “taxi” was first introduced to the English language in 1907 when New York imported the first “taxis”, which were 65 gasoline-powered vehicles equipped with taxi meters from Paris. In addition to this, the word “cab” was first used in the English language around 1820 when London imported the first “cabriolets” from Paris.¹³¹

The official and written documents which mark the first appearance of taxis in Istanbul are missing. For this reason, the historical background of the taxi sector in Istanbul is based on interviews and web sites. However, the narratives justify each

¹²⁹ Toner, “Regulation in the Taxi Industry,” p. 1.

¹³⁰ Relevant information is available from <http://www.taksidolmus.com/sayfa.asp?bloglid=29&pagem=TAR%DDHTE%20TAKS%DD>.

¹³¹ Darbéra, “Taxicab Regulation and the Evolution of Communication Technology: The Tale of Three Countries,” p. 3.

other in certain points. In this respect, it is indicated that the initial taxi transportation existed since the early twentieth century in Turkey. After the Second World War, the number of the taxi vehicles rapidly increased.¹³² The period which began around 1896 with the usage of four-wheeled horseless vehicle, converted into shared taxi in 1931. In 1931, the number of taxi vehicles was estimated around 700 in Istanbul.¹³³

It is claimed that the Great Depression of 1929 resulted in the birth of the practice of shared taxis among Jewish and Armenian citizens who traveled from their homes Taksim to their works in the Grand Bazaar. They aimed to utilize the taxi service at affordable prices by travelling in the form of small groups and paying in a collective manner. The application of shared taxi provides them to travel comfortably at the same price as the tramway. The slogan of “ten cents for each man” (*10 kuruşa bir adam*) on the Karaköy-Taksim line is cited as the turning point in terms of the expansion of shared taxi usage.¹³⁴ Furthermore, the information related to the increase in the usage of taxi vehicles after the Great Depression is offered within the brief history of the Directorate of Public Transportation Service (*Toplu Ulaşım Hizmetleri Müdürlüğü-TUHİM*).

The first professional association was established by a driver whose name was Ali Ulvi with the encouragement of Grand Vizier Talat Pasha in 1914.¹³⁵ However, the Drivers Association (*Şoför Cemiyeti*) became to work effectively only

¹³² Trafik Araştırma Merkezi Müdürlüğü, *Türkiye’de ve Bazı Yabancı Ülkelerde Taksi İşletmeciliği ve Taksi Şoförü Olma Şartları*, p. 11.

¹³³ Ibid.

¹³⁴ Relevant information is available from <http://www.taksidolmus.com/sayfa.asp?bloglid=29&pagem=TAR%DDHTE%20TAKS%DD>.

¹³⁵ TŞOF 50. Yıl Kitapçığı, p. 20.

after 1930 when shared taxi service was used in a widespread manner.¹³⁶ Even though the association attempted to make its shared taxi line official in 1931, the request was denied. The recognition of the first shared taxi lines in an official way occurred a year later with the establishment of the Federation of Turkish Drivers and Automobile Owners (*Türkiye Şoförler ve Otomobilciler Federasyonu-TŞOF*), in 1954. From 1931 to 1954, the number of taxi vehicles reached 4832 on 150 different shared taxi lines.¹³⁷ Moreover, between 1953 and 1960, the number of taxi vehicles increased from 4832 to 6974. In 1965, the number amounted to 15,000.¹³⁸

In parallel with the increase in the usage of taxi service, the number of taxi vehicle increased as well. The increase in the number of taxi vehicle led to a decrease in the price tariffs of taxis and the incomes of drivers. To prevent such circumstances, the primary plate restriction was implemented in Istanbul by decision of the Provincial Traffic Commission (*İl Trafik Komisyonu*) in 1965. In the coming years, similar implementations were applied by other developing cities such as Ankara and Izmir.¹³⁹

Before the Council of Ministers' Decision dated 2 April 1986 and numbered 10,553, taxi service was practiced with private vehicles with civil plates. Related to this issue, the Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan said:

Before the decision numbered 10,553, anyone who had a vehicle and wanted to be a taxi driver could be a taxi driver easily. It was enough to go and

¹³⁶ The Education Manager of the Federation of Turkish Drivers and Automobile Owners (*Türkiye Şoförler ve Otomobilciler Federasyonu-TŞOF*) Nizamettin Ateş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011.

¹³⁷ Relevant information is available from <http://www.taksidolmus.com/sayfa.asp?bloglid=29&pagem=TAR%DDHTE%20TAKS%DD>.

¹³⁸ Trafik Araştırma Merkezi Müdürlüğü, *Türkiye'de ve Bazı Yabancı Ülkelerde Taksi İşletmeciliği ve Taksi Şoförü Olma Şartları*, p.23.

¹³⁹ *Ibid.*, p. 11.

declare oneself to tax office. In that time, the related decisions about the taxi drivers were taken by the Provincial Traffic Commission. There was no such thing as a serial plate. It was different. It was given after the decision numbered 10,553.¹⁴⁰

“There was not a requisite that taxis had to be yellow. To identify whether a vehicle was a taxi or not, tattersall band was pasted on the glass.”¹⁴¹ said one of the interviewees, Bayram Hacıhaliloğlu. According to the Council of Ministers’ Decision dated 2 April 1986 and numbered 10,553, the number of the taxi plates was restricted. In accordance with this decision, it mainly aimed to prevent plate black-marketeering and illegal taxi service. The decision included the cities of Adana, Ankara, Bursa, Eskisehir, Istanbul, Izmir, Kocaeli, Konya, Sakarya and Samsun. Additionally, taxi plates could not be sold or delegated to an individual who did not work as a taxi driver. It stipulated that the individual had to be self-employed and earned his income by working as a taxi driver.¹⁴² Afterwards, it was determined that all taxi vehicles in Istanbul had to be yellow and had the letter “T” on their plates to identify them easily.¹⁴³ Taxi vehicles which were red and had the letter “M” or “C” on their plates will be discussed in the next chapter.

In this context, in conjunction with the decision numbered 10,553, the taxi plate which first had been restricted in terms of quantity in 1965, begins to be sold through tenders. Thus, the number of taxi vehicles, in other words, the entrance into

¹⁴⁰ The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011. “10553 sayılı karardan önce, arabası olan ve şoför olmak isteyen herkes taksici olabiliyordu. Vergi Dairesi Müdürlüğü’ne gidip beyan etmen yeterliydi. O zamanları şoförlerle ilgili kararları İl Trafik Komisyonu alıyordu. Seri plaka diye bir şey yoktu. O farklı. 10553 sayılı karardan sonar verildi.”

¹⁴¹ The President of the Istanbul Union of Cab Drivers (İstanbul Taksiciler Birliği-İTB) Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011. “Taksiler sarı olmak zorunda diye bir koşul yoktu. Bir aracın taksi olup olmadığının ayırt edilmesi içinse arabanın camlarının üzerine damalı şeritler yapıştırılıyordu.”

¹⁴² For further information, see the Council of Ministers’ Decision dated 2 April 1986 and numbered 10553, *Ticari Plakaların Verilmesinde Uyulacak Usul ve Esaslar Hakkında Karar*.

¹⁴³ The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

the taxi sector, began to be controlled by way of initiating tender. One of the complaints of the taxi plate owners was that while governmental bodies sold taxi plates, they did not provide such requirements as effective road networks or taxi stands which were essential for the taxi sector. In this sense, Bayram Hacıhaliloğlu said:

While the state gave the taxi plates to us, it granted us to develop the necessary infrastructure system and to protect our rights by preventing the pirate taxi sector. It said that therefore I restricted the taxi plates and henceforward only the people who purchased these taxi plates could work as taxi drivers. And we gave our money for the taxi plates. But now, the pirate taxi earns money by preventing our job.¹⁴⁴

Nowadays, according to many people views, taxi plates are overpriced, which encourages the illegal taxi sector. However, at this point, a crucial characteristic of the taxi plate is not overlooked. For almost every taxi plate owner, the taxi plate is an investment. Therefore, most of the plate owners do not accept these arguments.

The Major Elements of the Taxi Sector in Istanbul

This part of the chapter examines the fundamental elements of the taxi sector, the taxi stand, the taxi vehicle and the taxi plate. Although the identification of these elements pertains to the author, many circumstances are considered. By analyzing these aspects of the taxi sector, initially, this section aims to offer a framework regarding how they are regulated. In this context, it first considers the related legal regulations. As a second step, the results of the regulation policies are sought in terms of the taxi market. In this sense, this part intends to reveal at which points the

¹⁴⁴The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011. “Devlet bize plakaları verirken, gerekli altyapıları geliştireceğini ve korsan taksiyi önleyerek hakkımızı koruyacağını garanti etti. Bu yüzden plakaya tahdit koyuyorum dedi. Bundan sonra sadece bu plakaları satın alanlar taksi şoförü olarak çalışabilecek dedi. Biz de paramızı taksi plakasına verdik. Ama şimdi korsan taksi bizim işimize mani olarak para kazanıyor.”

legal regulations and the practices differed and certain illegal implementations occur in the formal sector. In other words, this part discusses the illegal practices which diverge from the legal regulations but are crucial for the taxi sector operation.

The Taxi Stands

According to the Directive of Taxi and Shared Taxi which was prepared by Directorate of Public Transportation Services, a taxi stand can be established in public spaces nearby thoroughfare. A taxi stand has to be established in an area in which at least four taxi vehicles can park easily.¹⁴⁵ At that point, it can be claimed that most of Istanbul's taxi stands do not provide these conditions. First of all, most of the taxi stands are not established in an area by considering the construction plans of Istanbul. In this case, most of the taxi stands are established in areas that are distant from the customers. Related to the differences in practice, Nizamettin Ateş said,

In Turkey, there is no modern taxi management. The location of taxi stands is not be determined by considering transportation surveys. They are deployed randomly. This situation is related to the local governments. The municipality has to supply places for taxi stands and identify a modern taxi stand type. How many taxi vehicles can park in a taxi stand has to be make clear. The location of the taxi stand should not lead to congestion as well. But now, it is not like this. A person establishes a taxi stand on the pavement and nobody cares.¹⁴⁶

¹⁴⁵ Directorate of Public Transportation Services in Directorate of Transportation Department, *The Directive of Taxi and Shared Taxi* (İstanbul: İBB Basımevi, 2009), p. 22.

¹⁴⁶The Education Manager of the Federation of Turkish Drivers and Automobile Owners Nizamettin Ateş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011. *“Türkiye’de modern bir taksi işletmeciliği yok. Taksi duraklarının yerleri ulaşım etüdü yapılarak belirlenmemiş. Gelişigüzel konuşlandırılmışlar. Yerel yönetimlerle ilgili bu durum. Belediye, taksi durak yerleri temin etmeli. Modern bir taksi durağı tipi oluşturmalı. Bir taksi durağına kaç tane taksi park edebilir belli olmalı. Ayrıca taksi durakları trafik sıkışıklığına sebep olmamalı. Ama şimdi böyle değil ki. Adam kaldırımın üstüne taksi durağı yapar. Kimse de umursamaz.”*

In terms of regulation polices, there is no limitation regarding the number of taxi stands. If certain requirements are met and the necessary permissions are acquired from the authorized bodies, one can establish a taxi stand. In Istanbul, the number of the taxi stands is estimated around to be 650.¹⁴⁷ However, most of the taxi stand operators think that the municipality gives permission for the places which are inefficient for establishing a taxi stand.¹⁴⁸ As a consequence of this situation, number of the taxi stands without building permits and work permits has increased. The number of illegal taxi stands. Even though they do not have any legal existences or work permits, they operate.

In fact, this kind of informal implementation such as taxi stands without building permits or work permits may have an effect on the organization of taxi drivers. This illegality becomes an obstacle to the collective organization. In the case of organization or gathering under the same roof as an association, they may be threatened in terms their taxi stands being closed down. A similar case occurred during the foundation process of the Istanbul Union of Cab Drivers. The president of union said:

We founded the Union of Cab Drivers. We aimed to participate in the related chamber administrations by organizing the cab drivers. In accordance with this purpose, we associated fifteen taxi stands. A wireless center was established. However, the chamber administrations reported these taxi stands to the police. They threatened us by closing the taxi stands because taxi stands did not have work permits. Then everybody was afraid.¹⁴⁹

¹⁴⁷ The Manager of the Complaint and Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

¹⁴⁸ The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

¹⁴⁹ The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011. *“Biz Taksiciler Birliğini kurduk. Taksicileri örgütleyerek oda yönetimlerine müdahil olmayı amaçladık. Bu amaç doğrultusunda 15 tane taksi durağını birleştirdik. Telsiz merkezi kurduk. Ama oda yönetimleri bizi polise şikayet etti. Taksi duraklarını kapatmakla tehdit ettiler. Çünkü durakların ruhsatı yok. Sonra da herkes korktu.”*

In this context, the process of incorporation, which has occurred in various cities and countries' taxi sectors as indicated within the scope of the previous chapter, is examined in terms of its feasibility to the Istanbul taxi sector. At this point, an obstacle derived from the Council of Ministers' Decision, dated 2 April 1986 and numbered 10,553, is worth notice. According to this decision, taxi plates could not be sold or delegated to individuals who did not work as taxi drivers. It stipulated that the individual was to be self-employed and to earn his income by working as a taxi driver.¹⁵⁰

At this point, as will be analyzed in detail later in the following chapter, the known fact that most of the taxi plate owners in Istanbul rent their taxi plates instead of using them as source of income can be stated. As a consequence of this situation, an informal relationship between the plate owner and his driver(s) is established. In other words, while the Council of Ministers' Decision constitutes an impediment for the process of incorporation, it condones the informal relationship between the plate owner and his driver(s).

It also could be stated that there are many aspects in respect to the feasibility of the process of incorporation into the Istanbul taxi market. One of the proponents, the Vice President of the Istanbul Chamber of Cab Drivers and Artisans, Ercan Akköprü, stated that:

Each sector has developed, but the taxi sector has made no progress. If it were allowed to incorporate, certain improvements may be provided. Institutionalization is needed. The main difference from a taxi stand or a cooperative is that it has an administrative body. Moreover, the accounts become clear and the profit and the loss become perceptible. If several incorporations are established, it results in competition. Competition contributes to the development of the taxi sector.¹⁵¹

¹⁵⁰ For further information, see The Council of Ministers' Decision dated 2 April 1986 and numbered 10553, *Ticari Plakaların Verilmesinde Uyulacak Usul ve Esaslar Hakkında Karar*.

¹⁵¹ The Vice President of the Istanbul Chamber of Cab Drivers and Artisans Ercan Akköprü, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011. "Her sektör

In terms of opponents to the incorporation process, a decrease in members is propounded by Nizamettin Ateş. He indicates that if incorporation is allowed, then the taxi plate owners would register with the chamber of commerce instead of the federation. For the federation administration, it would mean a decline in the number of members and income.¹⁵² At this point, it should be questioned what the notion of member means to the federation and chambers.

As a last point related to the taxi stands, the mini stand (*cep durak*) requires mention. The mini stand serves at least three taxi vehicles. Furthermore, each taxi vehicle can utilize the mini stand to drop off a passenger and to pick up a passenger.¹⁵³ The essential aim of the mini stand is the prevention of cruising and congestion as well. Each of the interviewee agreed on the inadequacy of the mini stations. Even though the Directive of Taxi and Shared Taxi forbids to monopolistic behavior regarding mini stands, in practice, they have become a part of rent-seeking.

Concerning rent-seeking, one of the interviewees points out the illegal implementations in the mini stands by describing one of his experiences. He stated that there were people who demanded money for the use of a mini stand.¹⁵⁴ In other words, illegal actors such as *değnekçi* (parking attendant) controlled the mini stand system by demanding money from the taxi drivers. In fact, this circumstance reveals two essential matters, the lack of inspection and enforcement at certain points.

gelişti ama taksi sektörü yerinde sayıyor. Eğer şirketleşmenin önü açılırsa, işte o zaman gelişmeler yaşanır. Kurumsallaşma gerekir. Bir taksi durağından ya da bir kooperatiften farkı, şirketin yönetim kurulu vardır. Hesapları bellidir. Karı zararı belli olur. Eğer birkaç şirket kurulursa rekabet başlar. Rekabet de iyileşmeyi getirir.”

¹⁵² The Education Manager of the Federation of Turkish Drivers and Automobile Owners Nizamettin Ateş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011.

¹⁵³ Directorate of Public Transportation Services in Directorate of Transportation Department, *The Directive of Taxi and Shared Taxi*, p. 21.

¹⁵⁴ Focus Group, interview by the author, tape recording, Sultanahmet, Istanbul, Turkey, 28 December 2010.

The Taxi Vehicles

The taxi vehicle can be defined as a vehicle which is produced with the aim of passenger transportation. With a taxicab, a maximum five passengers, the driver included, can take a journey. The charge of the ride is determined by way of taxi meters.¹⁵⁵

The issue of the taxi vehicle can be analyzed in terms of quality controls. In this context, as discussed in Chapter Two, the concepts of public safety and security are significant. Protecting both the passengers and other road users is critical and, many requirements related to qualitative standards are implemented. As in most cities and countries, in Istanbul certain requirements must be met for a taxi vehicle. This kind of requirement aims to improve the quality of service in terms of vehicle standards. In this context, the safety, age and cleanliness of vehicle are taken into consideration.

In Istanbul, each taxi vehicle must be painted yellow or red to make identification easier. Another stated point is related to the age of the vehicle. According to the Directive of Taxi and Shared Taxi, a taxi may not be older than five years. However, it is quite possible to see older taxis. The lack of inspection and enforcement exist in the case of providing qualitative standards.

During the interviews, when I asked the reason for exceeding limit of age for a taxi vehicle, they pointed out the 37% special consumption tax and 18% value added tax as the reasons. Even though the taxi is defined as a commercial vehicle, its tax rates are determined as if it was a private vehicle. This circumstance leads to the

¹⁵⁵ Directorate of Public Transportation Services in Directorate of Transportation Department, *The Directive of Taxi and Shared Taxi*, p. 3.

preference of the cheapest vehicles with minimum fuel consumption. Therefore the safety of drivers, passengers and also other road users hangs by a thread.¹⁵⁶

Within the scope of improving the taxi service quality, a new taxi model is being sought. However, different aspects exist regarding this issue. The suggestion of a partitioned taxi (*kabinli taksi aracı*) model has both proponents and opponents. The partitioned taxi vehicle is offered to protect the driver life. It is argued that the partitioned taxi could prevent muggings.¹⁵⁷ In this respect, Nizamettin Ateş mentioned studies which had been conducted within the Federation of Turkish Drivers and Automobile Owners related to the new taxi model. However, the federation was awaiting a reply from the Ministry of Finance concerning the special consumption tax and value added tax reductions.¹⁵⁸

The opponents of the partitioned taxi vehicle present instead a taxi model which is equipped with a satellite tracking system, navigation, a general packet radio service (GPRS) and panic button.¹⁵⁹ They emphasize that the partitioned taxi model is not in line with the modern transportation system perception in Istanbul. This kind of taxi vehicle would improve the service quality and provide the driver's security of

¹⁵⁶ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁵⁷ The Education Manager of the Federation of Turkish Drivers and Automobile Owners Nizamettin Ateş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011; The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011; The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

¹⁵⁸ The Education Manager of the Federation of Turkish Drivers and Automobile Owners Nizamettin Ateş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011.

¹⁵⁹ The President of the Istanbul Chamber of Cab Drivers and Artisans Yahya Uğur, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

life, as well.¹⁶⁰ One of the interviewees, Bayram Hacıhaliloğlu, indicated that the new model taxi vehicle should not be a part of the rent-seeking. If the Istanbul Metropolitan Municipality put out a tender related to the taxi vehicle model, it may lead to a dependency on this unique taxi vehicle producer. He remarked that the transformation and standardization of the taxi vehicle model may return profit to certain corporations.¹⁶¹

Taxi Plates

Although the taxi plate is known by the simple name *teneke* (tinplate) within the taxi market, it is the essential element which creates unequal relations between the taxi plate owners and taxi drivers in an economic sense within the taxi sector. As indicated above, since 1986 taxi plates have been sold through tenders. In other words, with the Council of Ministers' Decision dated 2 April 1986 and numbered 10,553 the taxi plates in Istanbul were restricted.

In terms of quantity, there exist around 18,000 plates in the form of 17,462 yellow colored and 745 red colored taxi plates in Istanbul.¹⁶² With regard to the reasons for the quantity restriction, as was discussed thoroughly in Chapter Two, the concepts of public order, consumer protection, congestion and pollution management and economic performance become significant. In addition to these, regulation takes

¹⁶⁰ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁶¹ The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

¹⁶² The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010; The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

into consideration the distribution of population, the social and economic conditions of the population, and the efficiency and level of public transport services. On the one hand, the fundamental element which determines the number of taxi plates is the equilibrium of supply and demand.¹⁶³

In this regard, some of the interviewees indicated the existence of a general standard while determining the number of taxi plate. In this case, the number of taxi plate is determined based on the proportion of one taxi per 1000 people.¹⁶⁴

Accordingly, in Istanbul, the taxi/population ratio was 2.5 in 1991. In 2000 and then 2010, the ratio of taxi/population decreased as a result of the increased population.

The table below presents the number of taxis per 1000 people in Istanbul considering the changing years.

Table 5. The Number of Taxis per 1000 Person in Istanbul

Years	The Number of Taxi Plates	Population of Istanbul	Taxis/Population Ratio (per 1000 person)
1991	18,000	7,195,773	2.5
2000	18,000	10,018,735	1.8
2010	18,000	13,255,685	1.3

Source: The information regarding the population of Istanbul is available from http://www.tuik.gov.tr/PreTablo.do?tb_id=39&ust_id=11.

At this point, in the consideration of quantitative data it could be indicated that even though the population of Istanbul has increased, there is still an oversupply in the number of taxi plates. This aspect was noted by some of the interviewees as

¹⁶³ Trafik Araştırma Merkezi Müdürlüğü, *Türkiye’de ve Bazı Yabancı Ülkelerde Taksi İşletmeciliği ve Taksi Şoförü Olma Şartları*, p. 13.

¹⁶⁴ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

well.¹⁶⁵ None of them approved of abolishing the regulation policies which are related to quantitative restrictions. In this respect, Memduh Çırak indicated that,

If entry restrictions are abolished, the supply and demand cannot balance each other. Uncontrolled circumstances would increase. The restriction is required in terms of the controllability of the sector. Otherwise, everyone may want to work as a taxi driver.¹⁶⁶

In this context, the controllability of the taxi sector concept may be questioned in terms of whether the controllability is provided or not. In many cases, it is obvious that the practices do not comply with the related legislations. These implementations may result in illegal circumstances and relations. Moreover, another interviewee advocated the restricting by stating that if the entry restrictions were abolished, most of the taxis would begin to work in the city centre by considering customer potential. According to his opinion, as a consequence of that, while the congestion would increase in the city centre, the number of the taxi number in the outlying areas would decrease.¹⁶⁷

As another significant point, certain results of the quantity restriction have to be analyzed. In accordance with the restriction policies, the high price of taxi plates draws attention. In other words, the entry restriction contributes to making taxi plates both scarce and profitable. In the market, while the yellow colored taxi plate is valued at around 650,000 Turkish Liras, the red colored taxi plate is priced at around

¹⁶⁵ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010; The President of Turkish Foundation of Cab Drivers (*Türkiye Taksiciler Vakfı*) Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁶⁶ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011. "*Piyasadaki sınırlama kalkarsa, arz ve talep birbirini dengeleyemez. Kontrolsüzlük artar. Tahdit uygulanmalıdır. Kontrol edilebilirlik açısından gereklidir. Yoksa herkes taksicilik yapacağım der.*"

¹⁶⁷ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

400,000 Turkish Liras.¹⁶⁸ However, according to some of the interviewees' opinions, the price of the taxi plates was not high.¹⁶⁹ For some of them, quantity control was a possible result of the overpricing of taxi plates.¹⁷⁰ In a sense, the taxi plate owners refrain from stating that the prices of taxi plates were high. On the other hand, according to the taxi drivers and illegal taxi drivers, the price of the taxi plate was high.

This high price of taxi plates is handled in terms of its effects on the taxi market. Primarily, it paves the way for a hierarchical relation between the plate owner and the taxi driver. The plate owner, in other words, the owner of 650,000 or 400,000 Turkish Liras has a more powerful economical position than the taxi driver. This circumstance reflects their working conditions as well. These issues are also analyzed in detailed within the scope of the next chapter by looking at the main actors in the taxi market. Secondly, for most of the taxi plate owners, the taxi plate is an investment instead of a source of income.¹⁷¹ In this case, most of them choose to rent their taxi plates although the renting of taxi plates is illegal. In this context, a secondary market is developed. This profitable and economically rent-seeking

¹⁶⁸ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011; The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

¹⁶⁹ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010; The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁷⁰ The President of the Fighting against Pirate Association (*Korsanla Mücadele Derneği*) Enver Uğur, interview by the author, tape recording, Çağlayan, Istanbul, Turkey, 5 April 2011; The Education Manager of the Federation of Turkish Drivers and Automobile Owners Nizamettin Ateş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011; The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

¹⁷¹ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

market constitutes the actor of the intermediary, who rents the taxi plates to the taxi driver.¹⁷²

In Istanbul, the auto center (*oto center*) is the heart of this intermediary market. Each auto gallery within the auto center rents taxi plates to taxi drivers. Furthermore, the price of the taxi plate is determined by these auto galleries based on supply and demand.¹⁷³ One of the interviewees described the case as, “If ten purchasers come to the auto gallery, the price of the taxi plate increases immediately. However, if ten sellers come to the auto gallery, the price of the taxi plate decreases instantly.”¹⁷⁴

Within this frame, it has to be questioned how these auto galleries can rent the plates although the renting is illegal. The high price of the taxi plate may be one of the essential reasons for the passengers’ complaints about the taxi service. Additionally, it has to be questioned whether the high price of the taxi plate lead to the illegal component of the taxi sector or not. However, these two points are the subjects of the following chapter.

In this sense, this chapter offered a historical background to the taxi sector. As a next step, it analyzed the major elements of the taxi sector by regarding how they are regulated. In addition to these, this chapter also questioned whether the taxicab sector is operated as stipulated by the law and regulations or not. In accordance with this purpose, it considered the related legal regulations. In doing this, it sought to reveal that while the illegal and informal practices are not part of the regulations, they exist as crucial parts of the taxi sector.

¹⁷² Barrett, “Regulatory Capture, Property Rights and Taxi Regulation: A Case Study”, p.35.

¹⁷³ President of the Fighting against Pirate Association Enver Uğur, interview by the author, tape recording, Çağlayan, Istanbul, Turkey, 5 April 2011.

¹⁷⁴ Focus Group, interview by the author, tape recording, Sultanahmet, Istanbul, Turkey, 28 December 2010.

CHAPTER FIVE

THE MAIN ACTORS AND COMPONENTS OF THE TAXI SECTOR

This chapter principally analyzes the main actors of the taxi sector with its major components. In the sense of the main actors, the organization chart of the taxi sector is examined in detail. The distinction between a taxi and a shared taxi and the division between yellow and red taxis are indicated within the scope of the components of the taxi market. Furthermore, the illegal component popularly referred to *korsan taksi*, is discussed in terms of the informal economy. At this point, it is argued whether the terms “formal” and “informal” economy should be analyzed as two separate concepts or not. Furthermore, if formality is a notion which includes informality within it, in which areas these two concepts intermingle in the taxi sector has to be determined. This part also analyzes the question of how the illegal component of the taxicab sector is constituted and maintained. The probable reasons which may pave the way for informality in the taxi market are sought.

The Main Actors of the Taxi Market

This part of the chapter examines the primary actors of the taxi market. The specific actors are examined on the basis of their authority in the decision phase, publicity and membership conditions. In accordance with this purpose, in this part initially, the institutions which have power to take decisions relevant to the taxi sector within the local and central administration are taken into consideration. As a second step, the organization of taxi drivers is analyzed from the chambers of

craftsman to the confederation. Third, the institutions which carry out various duties regarding the taxi sector such as in the associations and foundations are discussed.

Within the scope of these three sections, each of the institutions will be examined in terms of its authorization limits and realm of authority. As a final step, the significant actors of the taxi market, the taxi plate owner, the taxi driver and the customer, are analyzed. In this sense, the unequal relation between the taxi plate owner and the taxi driver is examined in terms of working condition and economic position. In addition to these, the issue of in which areas the informal relationship between the taxi plate owner and the taxi driver may be established is questioned. The customer is examined as an actor in terms of demanding the illegal component of the taxi sector with its causes and effects.

The Authorized Bodies from Local to Central Administrations

Contrary to what is believed, in legal decision, the taxi sector is the object of multiple institutions. In terms of the local administration, the Directorate of Transport Coordination is the main decision maker as a result of legal arrangement dated 10 July 2004 and numbered 5216. This law stated that within the boundaries of the Istanbul Metropolitan Municipality, a transportation coordination center responsible for ensuring that the coordination of all kinds of transportation services is established. The decisions taken within the Transportation Coordination Center become effective after the approval of the Mayor of the Istanbul Metropolitan Municipality.¹⁷⁵

¹⁷⁵ For further information, see The Metropolitan Municipality Law dated 10 July 2004 and numbered 5216.

Within the scope of the taxi service, the decisions related to the determination of the taxi plate number, the procedure and principle of taxi plate allocation and the price tariffs are taken in the Transportation Coordination Center. Regarding the establishment of taxi stands, the required permits are given by the Committee of Transportation and Traffic Management.¹⁷⁶ If a decision text regarding taxi service is examined, it is noticed that in the decision phase that the signature of many government authorities within the Transportation Coordination Center are required. Among them are the President, the Vice President and the Secretary General of the Directorate of Transport Coordination, the President of the Directorate of Public Transportation Service, the representative of the Directorate of the Transportation Department, a representative of the Istanbul Security Directorate, a representative of the Ministry of National Defence, a representative of the Gendarmerie General Command, a representative of the Coast Guard Command, a representative of the Undersecretariat of Maritime Affairs, a representative of the Directorate General for Highways, a representative of the General Directorate of Turkish State Railways, a representative of the Directorate General of Land Transportation, a representative of the General Directorate of State Airports Operations, a representative of the General Directorate of Railways, Harbors and Airports, a representative of the Legal Advisory, a representative of the Department of Science Affairs, a representative of Istanbul Electric Tramway/Tunnel (İETT) Administration, a representative of İDO Corporate, and a representative of İstanbul Ulaşım (*Transportation*) Corporate.

The long list reveals the great number of government authorities required during the decision phase related to the taxi sector. This slows down slowness the implementation the decision taken. Sometimes, receiving each government body's

¹⁷⁶ Directorate of Public Transportation Services in Directorate of Transportation Department, *The Directive of Taxi and Shared Taxi*, p. 30; For further information, see the by-law for the Transport Coordination Centers of Municipalities, dated 15 June 2006 numbered 26199.

signature can take a long time. In that case, because of the bureaucratic obstacles, the decisions taken cannot be implemented immediately. This circumstance is one of the points most frequently emphasized by the interviewees.¹⁷⁷ Secondly, in the decision phase, none of the relevant craftsman chambers carries authority. While taking a decision regarding the taxi sector, the craftsman chambers can only delivering their opinions in case of necessity.¹⁷⁸ This situation leads to a representation problem in the decision phase related to the taxi sector. It can be seen easily that most of the authorized institutions are not pertinent to the taxi sector. In parallel to this situation, inefficient and irrelevant decisions can be taken.

Another essential actor is the Directorate of Public Transportation Service. The Directorate of Public Transportation Service is responsible for preparing the draft resolutions and presenting them to the Transportation Coordination Center. Within its realm of authority, it issues permits and certificates. It also determines the price tariffs of taxis and presents the suggestion to the Transportation Coordination Center. It prepares legal regulations to provide a standard regarding taxi driver and taxi vehicles.¹⁷⁹

Before the law dated 10 July 2004 and numbered 5216, all decisions related to the taxi sector were taken by the Provincial Traffic Commission. The main problems and demands were determined in terms of each craftsman chamber and presented to the District Traffic Commission. This commission presented the draft

¹⁷⁷ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁷⁸ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁷⁹ Directorate of Public Transportation Services in Directorate of Transportation Department, *The Directive of Taxi and Shared Taxi*, p. 6.

resolution to the Provincial Traffic Commission.¹⁸⁰ In this sense, as Yavuz İnce emphasized, in the case of comparing the two decision-making mechanisms the abolished one provided the chambers of craftsman more authority.¹⁸¹

In the context of central administration, various ministries such as the Ministry of Interior, the Ministry of Finance, the Ministry of Transportation and the Ministry of Industry and Trade carry authority in respect to the taxi sector. The Ministry of Transportation is an important institution in terms of preparing and giving the vocational qualification document to prospective taxi drivers. In 2004, one year after the Highway Transportation Law dated 10 June 2003 and numbered 4925, the Bylaw of Highway Transportation becomes effective.¹⁸² This vocational qualification document, known as SRC, is the shortened form of *sürücü* (driver). The SRC is required from all kind of drivers who transport goods or persons. It is given one time only by the Ministry of Transportation. The individuals who have driver's licence since February, 2003 have had to attend a course and pass an exam. In this context, the ministry collaborates with Gazi University. However, as a consequence of the lack of inspection, most of the taxi drivers do not apply for a SRC. They take advantage the inadequacy of inspection. Furthermore, according to several interviewees, the SRC is a money trap and is used as a form of rent-seeking. The

¹⁸⁰ The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

¹⁸¹ The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

¹⁸² The Education Manager of the Federation of Turkish Drivers and Automobile Owners Nizamettin Ateş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011.

courses and exams are not given in a serious environment. Giving the required money to the related institutions has become sufficient to obtaining the document.¹⁸³

As a last point, in 1996, the Highway Traffic Law dated 13 October 1983 and numbered 2918 carried into effect an amendment related to the establishment of a Highways Traffic Security Council in order to deal with traffic problems more effectively. The council, which gathers once a month, includes the representative of the Federation of Turkish Drivers and Automobile Owners as well. The decisions taken are presented to the Supreme Board for Highway Security, which gathers two times a year.¹⁸⁴ However, the Supreme Board for Highway Security has gathered only two times in total since its establishment.¹⁸⁵ This situation is crucial in terms of revealing the administrative disruptions.

The Organization Chart of the Taxi Drivers

Taxi service providers are represented through their chambers by districts and provinces. There are around 780 Drivers and Automobile Owners Chambers nationwide.¹⁸⁶ Furthermore, all these chambers are members of the Federation of Turkish Drivers and Automobile Owners, while it is among the thirteen sectoral occupational organizations forming the Turkish Confederation of Tradesmen and Craftsmen (*Türkiye Esnaf ve Sanatkarları Konfederasyonu-TESK*) which is one of

¹⁸³ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, manuscript, Seyrantepe, Istanbul, Turkey, 20 December 2010.

¹⁸⁴ For further information, see Highway Traffic Law dated 13 October 1983 and numbered 2918.

¹⁸⁵ The Education Manager of the Federation of Turkish Drivers and Automobile Owners Nizamettin Ateş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011.

¹⁸⁶ The Education Manager of the Federation of Turkish Drivers and Automobile Owners Nizamettin Ateş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011.

the most important organizations in Turkey.¹⁸⁷ In Istanbul, also each craftsman chamber in each district and province is a member of the Istanbul Union Chamber of Merchants and Craftsmen (*İstanbul Esnaf ve Sanatkarlar Odaları Birliği-İSTESOB*) besides the Federation of Turkish Drivers and Automobile Owners.¹⁸⁸ The figure below presents an overview regarding the organization chart of taxi drivers.

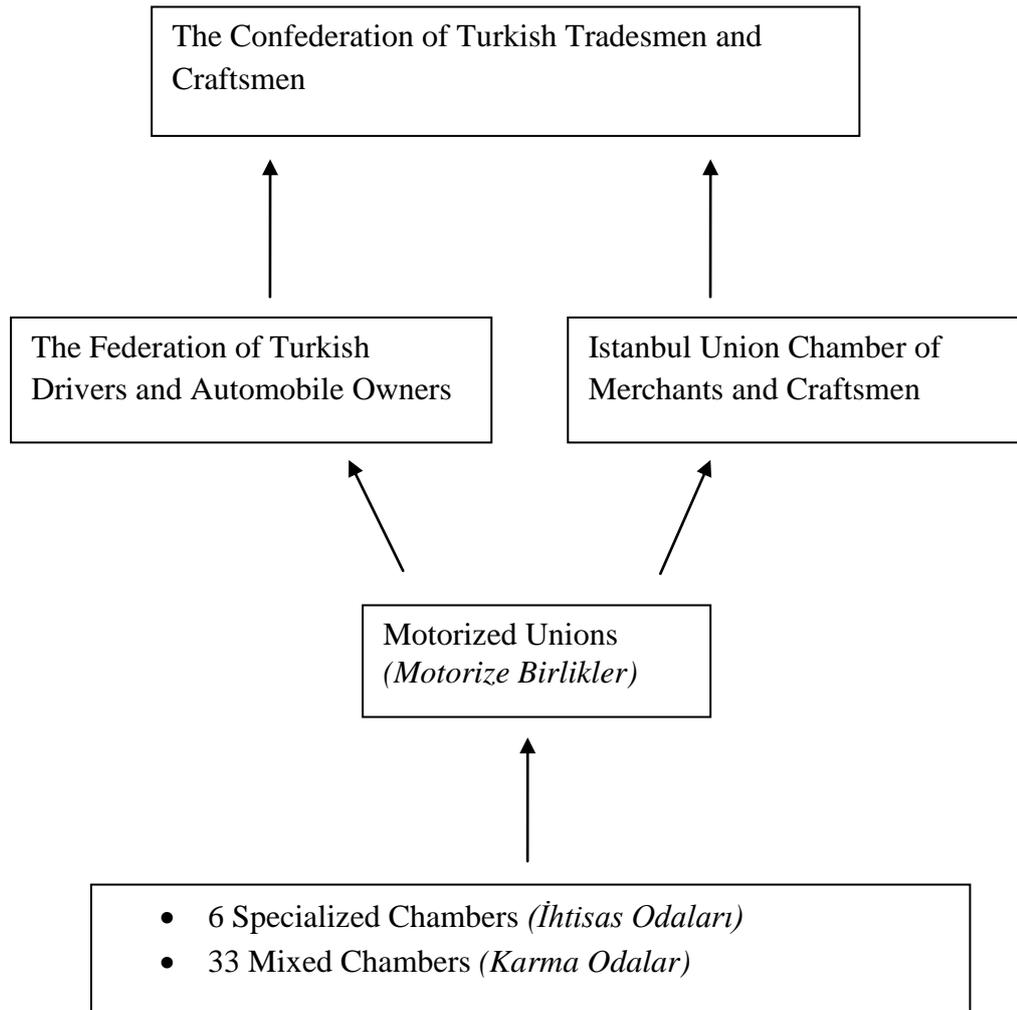


Figure 1. Organization Chart of Taxi Sector

¹⁸⁷ Further information is available from <http://www.tesk.org.tr/tr/org/sema.html>.

¹⁸⁸ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

The chambers of drivers and automobile owners are subject to Tradesmen and Craftsmen Occupational Organizations Law dated 7 June 2005 and numbered 5362. This law regulated the establishments of craftsmen chambers, unions, federations and confederation with their operational principals in order to meet today's conditions.¹⁸⁹ In addition to this, it redefined the status of taxi plate owner and taxi driver. In this context, while the taxi plate owner preserved his craftsman status, the taxi driver was regarded as employee. In parallel to this amendment, the registers of taxi drivers were eliminated within related chambers of drivers and automobile owners.¹⁹⁰

Before the amendment, the Tradesmen and Craftsmen Law dated 17 July 1964 and numbered 507 had been in force.¹⁹¹ Within the scope of that law, all taxi drivers alike taxi plate owners had been accepted as craftsmen. Accordingly, the taxi drivers had registered at the related chambers of drivers and automobile owners. Most of the interviewees approved the amendment that defined the taxi driver status as employee. However, they indicated that this amendment may result in the daywork perception among taxi drivers. The concept of daywork also paves the way an increase in number of complaints and improper taxi drivers within the taxi market.¹⁹²

Currently, only the taxi plate owners can register with the related chambers of drivers and automobile owners. In respect of the difference between a specialized

¹⁸⁹ For further information, see Tradesmen and Craftsmen Occupational Organizations Law dated 7 June 2005 and numbered 5362.

¹⁹⁰ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁹¹ TŞOF 50. Yıl Kitapçığı, p.18, 22.

¹⁹² The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halicioğlu, Istanbul, Turkey, 5 April 2011; The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

chamber and mixed chamber, the difference derives from the member type. Within the scope of motorized unions, six specialized chambers exist. Six specialized chambers were established in order to serve six different actors, truck, pickup truck, bus, minibus, service cart drivers and taxi plate owners. In this case, the specialized chamber of the taxi sector is named the Istanbul Chamber of Cab Drivers and Artisans. Only the taxi plate owners can be members of the Istanbul Chamber of Cab Drivers and Artisans.¹⁹³ Around 6500 taxi plate owners are registered with this organization.¹⁹⁴

Besides the specialized chamber, each taxi plate owner can choose to be a member of a mixed chamber. Different kinds of drivers can register with the mixed chambers such as those for truck, pickup truck, bus, minibus, service cart and taxi drivers.¹⁹⁵ Accordingly, around 1800 taxi plate owners are registered with the Bahçelievler Chamber of Drivers and Automobile Owners; around 1500 within the Ümraniye Chamber of Motor Vehicle Owners and Drivers; around 1400 within the Kartal Chamber of Truck, Pickup Truck, Minibus, and Bus Drivers; around 1300 within the Sağmancılar Chamber of Drivers and Automobile Owners; and around 1100 within the Kağıthane Chamber of Drivers and Automobile Owners.¹⁹⁶

This situation reveals that the organization of taxi plate owners based on the chambers of drivers and automobile owners is quite fragmented. According to

¹⁹³ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

¹⁹⁴ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁹⁵ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

¹⁹⁶ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

Hüseyin Arslan, the divided organization makes it difficult to determine the main problems of the taxi sector. Additionally, this organizational structure makes it difficult to the control the taxi plate owner's work manner. He said that the taxi sector had the potential to be an effective power. In accordance with this, the policy of divide and rule was intentionally preferred and implemented by certain authorities.¹⁹⁷

In this context, the administration of the Istanbul Chamber of Cab Drivers and Artisans seeks to gather all taxi plate owners under the same roof. Together with the slogan of “a single chamber, a single voice” (*tek oda, tek ses*), they intend to administer and control the taxi sector from a single chamber.¹⁹⁸ The mixed chambers do not approve of this goal.¹⁹⁹ Even though most of them are not concerned with the problems of the taxi sector, they do not want to lose their members. At this point, the issue of what a member should mean to a mixed chamber has to be questioned.

Non-Governmental Organizations

Within this part of the chapter, non-governmental organizations involved in activities such as the association and foundation of taxi sector are examined by analyzing their aspects related to the taxi market. Primarily, it has to be stated that certain organizations, such as the Istanbul Union of Cab Drivers, the United Taxi

¹⁹⁷ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁹⁸ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

¹⁹⁹ The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

Drivers' Association, the Fighting against Pirate Association²⁰⁰ and the Turkish Foundation of Cab Drivers are analyzed solely. Even though the determination of the organizations appertains to me, the most relevant ones are taken under consideration.

In accordance with the purpose of coming together, the Istanbul Union of Cab Drivers was established in 1998. One of the reasons for this union's establishment was the behavior of previous administration of the Istanbul Chamber of Cab Drivers and Artisans. It was indicated that until the previous election, during the forty-five years, the administration of the Istanbul Chamber of Cab Drivers and Artisans was in the same individuals' power. Moreover, the administration did not devise projects to improve the taxi sector.²⁰¹ In this sense, the President of the Istanbul Chamber of Cab Drivers and Artisans pointed out that even though the chamber presidency should not be thought of as a profession, most of the chambers of drivers and automobile owners' presidents have administered their chambers for more than twenty years. This situation, after a point, leads to disregard and neglect of duty.²⁰²

As another reason, it is stated that they aimed to establish a union which had the word "cab" in its title.²⁰³ Before 2005, the Istanbul Chamber of Cab Drivers and Artisans did not have the word "cab" in its name because taxi driver was not defined as a profession, its name had to be in the form of the Istanbul Chamber of Drivers

²⁰⁰ Its name is *Korsanla Mücadele Derneği* in Turkish. They intentionally use the word *korsan* instead of *korsan taksi*. They do not want use the word of *korsan* together with the taxi word. By doing this, they aim to prevent the habit of using *korsan taksi* expression.

²⁰¹ The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

²⁰² The President of the Istanbul Chamber of Cab Drivers and Artisans Yahya Uğur, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²⁰³ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

and Automobile Owners until 2005.²⁰⁴ Therefore, the Istanbul Union of Cab Drivers became the first organization with the word “cab” in its name. Moreover, they made an application to the government define taxi driver as a profession. This application was approved in 2003 and, with an amendment, taxi driver was defined as a profession within the Highways Traffic Law.²⁰⁵

Currently, the Istanbul Union of Cab Drivers has 1078 registered members and the contact information of 15,000 people who work as taxi drivers (both taxi plate owners and taxi drivers) based on the aim of improving the taxi market and collaboration. In addition to these, four taxi stands which are member of the Istanbul Union of Cab Drivers work cooperatively. In this sense, all taxi vehicles can pick up passengers by lining up at one of these four stands. Within the scope of these four taxi stands, each taxi vehicle has a satellite tracking system. In this way, the taxi drivers life safety is provided and they easily are directed the next passenger via the taxi stands.²⁰⁶ In accordance with this implementation, the reason why this system has not been adopted throughout Istanbul has to be questioned.

The second organization is the United Taxi Drivers’ Association. As compared with the Istanbul Union of Cab Drivers, the United Taxi Drivers’ Association was established quite recently, in 2009. In the first phase, the main purpose of the association was to put an end to the previous administration of the Istanbul Chamber of Cab Drivers and Artisans and provide improvements related to the social security of the taxi drivers. In conjunction with the achievement of these main aims, the association begins to focus on the problems of the taxi drivers,

²⁰⁴ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²⁰⁵ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²⁰⁶ The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

particularly. It has around 2000 members. Even though they accept taxi plate owners as members, they stipulate that they must earn their incomes via working as taxi drivers.²⁰⁷

As mentioned above, in line with the approval of the Tradesmen and Craftsmen Occupational Organizations Law dated 7 June 2005 and numbered 5362, the registrations of taxi drivers was eliminated from the related chambers of drivers and automobile owners. As a consequence of this amendment, the United Taxi Drivers' Association aimed to become an organization which represented the taxi drivers, only. Besides the problem of drivers working without social security, the organization works to prevent the daywork and temporary work perceptions among taxi drivers.²⁰⁸

The Fighting against Pirate Association was established in 2010 to prevent all kinds of illegal transportation. The essential purposes of the association are to draw attention to this issue and increase the organizations' activities regarding the prevention of illegal transportation. The president of the association said that after the enactment of a deterrent law relevant to fight against illegal taxis, they became to achieve their mission. In accordance with this aim, they sent both letters to certain ministries and e-mails to all of the deputies of the parliament.²⁰⁹ Currently, the related law remains on the agenda of the parliament.

As a last organization, the Turkish Foundation of Cab Drivers can be indicated. Although the foundation was established in 2005, it began to work effectively in 2011. The primary aim of the foundation is to give scholarships to

²⁰⁷ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011.

²⁰⁸ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011.

²⁰⁹ President of the Fighting against Pirate Association Enver Uğur, interview by the author, tape recording, Çağlayan, Istanbul, Turkey, 5 April 2011.

students whose fathers work as taxi drivers. Unlike the other organizations, the foundation does not have any membership fee. In this context, they collaborate with a bank and issue a special credit card to their members. When the member uses this card while buying fuel, certain percentage of the charge is transferred to a specified fund.²¹⁰ In this way, they intend to provide source of income for their projects related to the taxi sector.

This section offered an overview which reveals the organization of the taxi sector with their establishment process and goals. By doing this, this part of the chapter to emphasized the fragmented structure of this sector organization, which results in miscommunication among taxi drivers and sometimes information pollution. Additionally, this fragmented structure obstructs the organization as an effective power not only economically but also politically.

The Taxi Plate Owner

A taxi plate owner is a person who has the possession of a taxi plate in accordance with the procedures and principles of the Council of Ministers' Decision, dated 2 April 1986 and numbered 10,553. In this context, each taxi plate owner had to be register with the craftsman's register office. As a second step, he has to be registered with the related chamber of drivers and automobile owners.²¹¹

In regard to the necessary documents, first, the plate owner must acquire a commercial vehicle allocation document from the Directorate of Public Transportation Service. This document states that the person who has possession of a

²¹⁰ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²¹¹ For further information, see Tradesmen and Craftsmen Occupational Organizations Law dated 7 June 2005 and numbered 5362.

taxi plate is in accordance with certain procedures and principles within the Council of Ministers' Decision dated 2 April 1986 and numbered 10,553. Besides this document, an annual work permit, public service vehicle usage document and public service vehicle identity card have to be acquired from the Directorate of Public Transportation Service. A candidate who attends education seminars given by the Public Transportation Service has a taxi driver training certificate.²¹² Additionally, each person has to be in receipt of SRC and psychotechnics. Psychotechnics is a kind of test which estimates the convenience of the candidate via mental and physical tests. While the SRC is taken only once, psychotechnics is taken once every five years.²¹³

At this point, it has to be stated that the public service vehicle usage document, the public service vehicle identity card, the taxi driver training certificate, the SRC and psychotechnics test are required from not only the taxi plate owner but also the taxi driver.²¹⁴ Even though this issue will be analyzed in detail below, it can be stated that most of the taxi drivers do not obtain all of these documents. In this respect, lack of inspection exists as an essential problem.²¹⁵ Most of the interviewees indicated that the education seminars were not conducted seriously.²¹⁶ Furthermore, the issue of professional continuity was given as a reason for the education seminars.

²¹² Directorate of Public Transportation Services in Directorate of Transportation Department, *The Directive of Taxi and Shared Taxi*, p. 4,17,19.

²¹³ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011.

²¹⁴ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011; The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, manuscript, Seyrantepe, Istanbul, Turkey, 20 December 2010.

²¹⁵ The Vice President of the Istanbul Chamber of Cab Drivers and Artisans Ercan Akköprü, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²¹⁶ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

It is questioned how many people work as taxi drivers after the education seminars.²¹⁷ The perception of day work among taxi drivers has to be emphasized within the scope of the education seminars' benefit.

Currently, most of the taxi plate owners prefer to rent their taxi plates instead of working as taxi drivers themselves. In this case, two different manners can be observed. In the first place, the taxi plate owner may rent his plate to a taxi driver in return for a certain daily wage. The amount of the daily wage can be determined by the taxi plate owner. Currently, it is around 180 Turkish Liras. As another implementation, the taxi plate owner can take 70% of the taxi drivers' earnings each day.

Second, even though it is an illegal implementation, taxi plate owner may rent his plate to an auto center in return for monthly rent. In this respect, it was stated that the taxi plate owners who have grown old and cannot look after their driver(s) prefer to rent their plates to auto centers.²¹⁸ In this case, the monthly rent ranges from 3000 to 4000 Turkish Liras. The President of the United Taxi Drivers' Association, Memduh Çırak, also confirmed the argument by indicating that most of the taxi plate owners prefer to rent their taxi plates in order to guarantee monthly rent.²¹⁹ However, this circumstance paves the way for irrelevant taxi plate owners and an uncontrollable taxi market in terms of taxi drivers. As long as the taxi plate owner receives his rent from his drivers or the intermediary at auto center, he does not consider the suitability of the taxi driver to the profession. The legal documents are not requested by the taxi plate owner in general. One of the interviewees confirmed

²¹⁷ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²¹⁸ "Kiralık Taksi Var!," *Şoför* 5 (December, 2010), p.25.

²¹⁹ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011.

this irrelevancy of the taxi plate owner. While I posed a question related to the abolition of night tariff, he said that he did not care about such issues.²²⁰ This case can also be viewed in terms of the purposes of taxi plate possession. In this sense, it seems that the taxi plate is converted into an investment.

In terms of income, it could be said that in almost all manners, the taxi plate owner earns a fair income. However, this situation is not the same for the taxi drivers. There is an unequal relationship between the taxi plate owner and taxi driver regarding the economic conditions, particularly.

Even though most of the taxi plate owners prefer to rent their plates to auto centers, some of them prefer to continue working as taxi drivers. In that case, there are two kinds of working. Firstly, the taxi plate owner may opt to work alone. In this context, he works full time. This manner of work is known as “lonely revolver” (*tek tabanca*) among taxi drivers. In this way, the work generally begins at seven o’clock in the morning and continues until ten o’clock at night.²²¹ The taxi plate owner may prefer to work with a taxi driver. Most of the taxi vehicles are operated almost all day long. In this case, the daytime taxi driver begins to work at five o’clock in the morning and delivers the taxi vehicle to the night taxi driver at three o’clock in the afternoon. The night taxi driver generally works until three o’clock in the morning.²²²

²²⁰ Mustafa, interview by the author, tape recording, Bostancı, Istanbul, Turkey, 2 May 2010.

²²¹ Mehmet, interview by the author, tape recording, Kadıköy, Istanbul, Turkey, 28 April 2010.

²²² Umut, interview by the author, tape recording, Hisarüstü, Istanbul, Turkey, 18 May 2010.

The Taxi Driver

A taxi driver is a person who works with or works for a taxi plate owner. Although every taxi driver can register with the related chamber of drivers and automobile owners, in accordance with the approval of Tradesmen and Craftsmen Occupational Organizations Law dated 7 June 2005 and numbered 5362, the registration of taxi drivers has been eliminated from these places. This situation paves the way an unregistered and uncontrolled taxi drivers sector.

According to the official data, there are 18,000 commercial taxis in Istanbul. However, 40% of the taxi vehicles are operated by one person only, 55% by two people, and 5% by three people.²²³ In this respect, it is said that there are 35,000 drivers in Istanbul as a part of the service sector.²²⁴ One may think that such a large community could be an effective power. However, the perceptions of daywork and interim profession result in frequent entrances and exits to the sector within taxi drivers. Most of the taxi drivers do this work until they find better jobs which are more secured and have more comfortable working conditions.²²⁵ As a consequence, controlling the taxi driver sector and providing certain standards is difficult.

In the sense of required documents, the public service vehicle usage document, the public service vehicle identity card, the taxi driver training certificate, the SRC and psychotechnics test are indicated. However, as mentioned above, most of the taxi drivers do not obtain these necessary documents. In this regard, lack of inspection may be one of the encouraged reasons. Besides, according to most of the

²²³ Çetin and Oğuz, *The Regulation of Istanbul Taxi Market: Is It Working?*, p. 16.

²²⁴ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011.

²²⁵ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

taxi drivers, working as a taxi driver is a temporary job. Therefore, they may consider obtaining these required documents unnecessary.

To overcome these essential problems related to the taxi driver sector, a new type of driving licence called a class T driving licence, has been created. In this context, it is initially aimed to determine who may work as a taxi driver. It is stated that the driving licence has to be given according to the purpose of the taking of this licence. However, currently, it is given based on the vehicle type.²²⁶

According to the Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, instead of requiring different documents from the taxi driver, certain features could be gathered in a special driving licence. A Class T driving licence is prepared in line with these purposes. It has to be given to people have completed a training seminars related to the issues such as diction, body language, first aid, foreign language, route information and public relations. Each taxi driver with class T driving licence has to be registered, which makes controlling the continuity of the taxi drivers within the sector easily by searching through the system.²²⁷

Thanks to such a registration system the goal is to eliminate the improper taxi drivers within the taxi sector. In this context, currently, there is not a serious penal sanction if a taxi driver behaves in an improper manner to a customer. In some cases, a fine is implemented. If the taxi driver works with a taxi stand, he may lose his job at the taxi stand at the most. However, most of the drivers do not regard losing their jobs at the taxi stand by virtue of the existence of the large number of taxi stands. If he loses his job at one taxi stand, he can easily find another job at another taxi stand.

²²⁶ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²²⁷ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

Due to the fact that most of the taxi stands do not ask for the required documents except for their driver's licences, it seems impossible to know a taxi driver's background. In this sense, the Class T driving licence offers a system by which all taxi drivers may be registered and controlled. In that case, if a taxi driver behaves improperly, it may be noted in his file through the system. Therefore, the taxi driver is aware of that he can be eliminated from the taxi sector as a result of improper behavior. Additionally, it could be stated that the Class T driving licence has a dissuasive force.²²⁸ It is also aimed to cope with the daywork and temporary work perception. Thus, only the people who really want to work as taxi drivers apply for the Class T driving licence.

Within the scope of working conditions, the right of social security is one of the most discussed issues. It is one of the essential reasons this profession is perceived as daywork or temporary work. Most of the taxi drivers prefer to work as taxi drivers to earn daily cash money. According to them, working as a taxi driver is an interim job. Besides the long working hours, working without social security makes working as a taxi driver undesirable. They aim to work as taxi driver until finding other jobs which offer better working conditions, at least social security.

Within the taxi sector, each taxi plate owner, in accordance with being defined as a craftsman, has to register with the social security organization for artisans and the self-employed (*Bağ-Kur*).²²⁹ Until the abolition of the Tradesmen and Craftsmen Law dated 17 July 1964 and numbered 507, the taxi driver was also considered a craftsman. In this sense, a taxi driver could also register with the social

²²⁸ The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

²²⁹ For further information, see Tradesmen and Craftsmen Occupational Organizations Law dated 7 June 2005 and numbered 5362.

security organization for artisans and the self-employed.²³⁰ However, most of the taxi drivers did not prefer to register or pay their insurance premiums.²³¹ Since the entry into force of the Tradesmen and Craftsmen Occupational Organizations Law, dated 7 June 2005 and numbered 5362, the taxi driver has been regarded as an employee.²³² Due to this reason, a taxi driver cannot register with the social security organization for artisans and the self-employed anymore.

As a result of the readjustment of the social security system, the Social Security and General Health Insurance Law, dated 31 May 2006 and numbered 5510, came into force. Within the scope of this law, every employer has to insure his employee(s). A certain time is prescribed for taxi plate owners in terms of paying their drivers' missing insurance premiums.²³³ However, although the prescribed time runs out, the controls related to the social security of taxi drivers are not conducted.²³⁴

At this point, while some of the organizations such as the United Taxi Drivers' Association call for duty to the authorities in terms of the related controls, some of the organizations such as the Istanbul Chamber of Cab Drivers and Artisans try to prepare the proper basis by exchanging correspondences with the authorities. By stating the proper basis, the goal is to indicate the confusion regarding the kind of insurance for taxi drivers. In other words, as stated above, according to Law number

²³⁰ For further information, see Tradesmen and Craftsmen Law dated 17 July 1964 and numbered 507.

²³¹ The Vice President of the Istanbul Chamber of Cab Drivers and Artisans Ercan Akköprü, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²³² For further information see, Tradesmen and Craftsmen Occupational Organizations Law dated 7 June 2005 and numbered 5362.

²³³ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011.

²³⁴ The Vice President of the Istanbul Chamber of Cab Drivers and Artisans Ercan Akköprü, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

5362, the taxi driver is regarded as an employee. However, before the amendment, the taxi driver had been accepted as a craftsman and registered with the social security organization for artisans and the self-employed. Therefore, it is unclear question whether the taxi driver should register with the social security organization for artisans and the self-employed or with the social insurance institution (*SSK*).

On the ground of conducted interviews, there are different aspects concerning the kind of insurance for taxi drivers. According to some of them, by virtue of the taxi drivers being regarded as employee, they should register with the social insurance institution. In that case, each taxi plate owner pays his driver(s) insurance premiums and puts the taxi driver(s) on salary.²³⁵ In other words, the taxi drivers work in return for salary instead of a daily wage. However, it is indicated that the taxi drivers do not accept such an offer because they generally earn more money than what is offered as a salary.²³⁶

Some of interviewees stated that the taxi drivers register with the social security organization for artisans and the self-employed.²³⁷ In this sense, the cash flow and the characteristic of temporary work are emphasized. Within the taxi sector,

²³⁵ The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011; The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011; The Vice President of the Istanbul Chamber of Cab Drivers and Artisans Ercan Akköprü, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; President of the Fighting against Pirate Association Enver Uğur, interview by the author, tape recording, Çağlayan, Istanbul, Turkey, 5 April 2011.

²³⁶ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

²³⁷ The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011; The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

unlike other sectors, the cash flow is from the employee to the employer. In other words, taxi driver generally gives the taxi plate owner a certain amount of money which is determined by taxi plate owner.²³⁸ In the case of the salary system, they claim that the taxi drivers do not work as required. If taxi drivers were put on salary, they would not care about the daily earnings of the taxi plate owner. As a result, the taxi plate owner's income would decrease. Therefore, according to them, each taxi driver registers with the social security organization for artisans and the self-employed. In addition to these, they claim that the adaptation of taxi drivers to the social insurance institution is hard because of the characteristic of temporary work. Currently, if a taxi driver has a problem with his employer, he can begin to work for another taxi plate owner easily or vice versa. However, within the scope of the social insurance institution, it becomes difficult.²³⁹ The proponents of the social insurance institution aim to prevent this circulation of taxi drivers by registering taxi drivers with the social insurance institution. They think that in conjunction with the registration with the social insurance institution, the continuity of taxi drivers within the profession would be provided.²⁴⁰

Currently, related to social security for the taxi drivers, the law dated 13 February 2011 and numbered 6111 was enacted. According to that law which is popularly known as The Bag Law (*Torba Yasa*), if a taxi driver works fewer than ten days, he has to register with the social security organization for artisans and the self-employed and pay his insurance premiums. However, if he works more than ten days, he has to register with the social insurance institution. In this case, his

²³⁸ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²³⁹ The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

²⁴⁰ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

insurance premiums are paid by the taxi plate owner.²⁴¹ The issue of the social security of the taxi drivers becomes definite in conjunction with the legal regulations which are being prepared at the time of the writing of this thesis.

As a last step, the income level of a taxi driver together with his working conditions is pointed out. As mentioned above, if a person wants to work as a taxi driver, he can rent the taxi plate from an auto center or he can work with or work for a taxi plate owner. Related to income level of taxi drivers, different approaches are claimed. According to Memduh Çırak, especially by renting the taxi plate from an auto center, it is difficult for the taxi driver to earn adequate amount of money. However, the taxi driver who works with or works for a taxi plate owner may have the chance to earn money based on the direct relation to the taxi plate owner.²⁴²

Some of the interviewees had the opinion that the taxi drivers earned adequate incomes.²⁴³ They made a rough calculation of daily earning of a taxi driver. In their opinion, a taxi driver covered around 300 km-long grounds within a day, with half of the distance without a passenger. The charge for each km is 1.6 TL. In accordance with this calculation, even after the deductions of the taxi plate owner's daily wage and the taxi driver's personal expenditures, around 1,700 Turkish Liras

²⁴¹ The Legal Advisor of the Federation of Turkish Drivers and Automobile Owners Zerrin Boztaş, interview by the author, tape recording, Kızılay, Ankara, Turkey, 12 April 2011.

²⁴² The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011.

²⁴³ The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

per month remain to the taxi driver.²⁴⁴ Furthermore, they offer this certain income as the reason why the taxi drivers refuse to work as salaried employees.²⁴⁵

The Customer

Customers are the key element of the taxi sector in terms of determining the demand. They are essential in terms of comprehending the existence of the illegal component of the taxi sector in Istanbul. In other words, one of the reasons which explains rapid increase in the illegal component of the taxi sector is customer preference. At this point, why customers prefer to take a ride with the illegal components of taxi sector has to be questioned.

The complaints of customers generally derive from the improper behavior of taxi drivers. In that case, the lack of control related to the main requirements for people who want to drive a taxi emerges as a problem. As mentioned above, most of the taxi drivers do not have the required documents. Furthermore, they regard working as a taxi driver a temporary job.²⁴⁶ This situation results in the distrust of the customer in the taxi driver. Most of the customers do not feel secure while taking a ride in a taxi vehicle. The existence of illegal practices within the taxi sector

²⁴⁴The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

²⁴⁵The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

²⁴⁶The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011.

prevents trusting the taxi driver. On this basis, according to most of the customers, there are not big differences between the legal and illegal taxi services.²⁴⁷

In this context, when the complaints which are reported to the Complaint and Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans are examined, certain complaints draw attention. While some of the taxi drivers refuse to pick up passengers who want to go only a short distance, some of them try to earn more money by lengthening the journey. In some cases, they seek to cheat the customers by using forged money. Finally, the improper and rude behavior of the taxi drivers is one of the most common.²⁴⁸

All of the interviewees confirmed the existence of this kind of bad image among taxi drivers. However, they emphasized that all of the taxi drivers were not held responsible from this negative image that there are taxi drivers who work properly should not be overlooked. This presence of bad taxi drivers leads to a loss of customers. The customers do not find using illegal taxi service inconvenient. Additionally, the price tariffs of the illegal taxi services make them more desirable. They indicate that they pay less money to the illegal taxi service in comparison to the legal taxi service.²⁴⁹ At this point, the drivers of legal taxi service point out the taxes which they have to pay.²⁵⁰

This section presented a brief analysis of the role of the customer. In this sense, the customer was examined in terms of complaining about legal taxi service

²⁴⁷ Elif, interview by the author, tape recording, Beşiktaş, Istanbul, Turkey, 30 April 2010.

²⁴⁸ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

²⁴⁹ Elif, interview by the author, tape recording, Beşiktaş, Istanbul, Turkey, 30 April 2010.

²⁵⁰ The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011.

and using the illegal taxi service. The correlation between the customer and illegal taxi maintenance will be analyzed further in this chapter.

The Components of the Taxi Sector

This section presents the components of the taxi market, which are the shared taxi, the yellow taxi and the red taxi. By doing this, it offers a framework which points out the distinctions among each component. In this context, as a first step, the distinction between a taxi and a shared taxi must be discussed.

The main differentiation between a taxi and a shared taxi derives from the vehicle's customer capacity. While the taxicab holds a maximum five passengers, the driver included, a maximum eight people with the driver are allowed in the shared taxi. In terms of fares, in taxis, the charge is determined according to a taximeter. In the shared taxis, each person pays a fee in accordance with a set price tariff based on destination.²⁵¹ In other words, in shared taxis, the price tariffs vary according to the customer's destination.

In addition to these, another crucial distinction stems from the kind of service provided. While taxis offer a door-to-door passenger service, shared taxis provide service between set destinations, determined by the related authorities. Routes such as Bostancı-Kadıköy and Taksim-Bakırköy can be indicated among several shared taxi routes. Within these shared taxi routes, drivers provide a service on determined

²⁵¹ Directorate of Public Transportation Services in Directorate of Transportation Department, *The Directive of Taxi and Shared Taxi*, p. 3-4.

route. Moreover, customers pay their charges according to their destinations.

Currently, there are 572 shared taxis working in Istanbul.²⁵²

The taxi sector divides its vehicles into two: yellow and red. Currently, according to the official data, there are 17,416 yellow and 745 red taxicabs which serve in Istanbul. The yellow taxis have the letter “T” on their plates in order to separate them from private vehicles.²⁵³ While the red taxis have the letter “M” or “C” on their plates instead of “T”, they can only serve in certain regions, such as Sultanbeyli, Şile, Büyükçekmece, Silivri and Çatalca.²⁵⁴ In order to understand the segregation of these regions from Istanbul, the legal regulations before the law dated 10 July 2004 and numbered 5216 have to be analyzed.

In respect of this issue, it can be stated that before the law numbered 5216, these regions were not included in the Istanbul Metropolitan Municipality. Furthermore, they were defined as adjacent zones and governed according to the law numbered 1580. In accordance with this law, the Provincial Traffic Commission was responsible for the decisions related to the taxi sector. The main problems and demands were determined by each region’s craftsman’s chamber and presented to the District Traffic Commission. This commission presented the draft resolution to the Provincial Traffic Commission.²⁵⁵ However, since the entry into force of the legal arrangement dated 10 July 2004 and numbered 5216, these regions have been

²⁵² The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, manuscript, Seyrantepe, Istanbul, Turkey, 20 December 2010.

²⁵³ The Manager of the Complaint and the Pirate Taxi Denouncement Line within the Istanbul Chamber of Cab Drivers and Artisans İrfan Öztürk, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 20 December 2010.

²⁵⁴ The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

²⁵⁵ The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

accepted as part of the Istanbul Metropolitan Municipality. However, the division has been preserved.²⁵⁶

In terms of the distinctive practices, although these regions have been accepted as part of the Istanbul Metropolitan Municipality, the color of their taxis has not been changed.²⁵⁷ During the interviews, serving with different colors was one of the crucial problems reported to me by the interviewees. In this context, one of the interviewees stated that the authorities rejected their request by arguing that if they accepted the change of color, most of the red taxis would prefer to work downtown, which would cause a congestion problem. The interviewee did not agree with this viewpoint. According to him, none of the red taxi drivers would prefer to work in downtown instead of in their region because the working areas of red taxis had been developing for years and a sufficient number of customers had existed for some time. He emphasized that their request was related to providing same conditions and practices for all taxicabs in Istanbul.²⁵⁸

In addition to this, the driver of red taxi is allowed to pick up his customers only from inside determined regions. Even though the journey can be made in or outside of the region, the red taxis do not pick up customers outside of their regions. This circumstance is also pointed out as another significant problem for the red taxi market.²⁵⁹

²⁵⁶ The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

²⁵⁷ The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

²⁵⁸ The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

²⁵⁹ The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

Besides all these points, both the yellow and red taxicab sectors struggle against a common difficulty: the illegal component of taxi sector. It is as a serious problem which leads to a decline in the number of customers for both. At this point, as a final step, it is necessary to examine the illegal component of the taxi sector in Istanbul.

The Illegal Component of the Taxi Market in Istanbul

As it has been mentioned from the beginning of the thesis numerous times, within the taxi market, there is a sub-sector that is illegal and operates in informal ways. This illegal component of the taxi sector is popularly known as *korsan taksi*. This part of the thesis will analyze this sub-sector and reveal in which areas it is correlated with the taxi sector. In addition, it will explain how the illegal component of the taxicab sector is constituted and maintained. In accordance with these purposes, this study includes the main causes and effects of the illegal taxi service as viewed by both the sector's opponents and proponents.

Currently, it is estimated that the number of illegal taxis is more than that of the legal taxis. In order to analyze this circumstance, two crucial factors, punishment and demand have to be considered. In sense of punishment, almost every interviewee who was a legal taxi driver and taxi plate owner stressed the inadequacy of punishments in terms of preventing the illegal taxi services. As a consequence, the illegal taxi services could not be terminated. Parallel to this situation, some of the interviewees also stated that the related inspections were inefficient. According to

their views, if the inspections were fulfilled as required, the illegal taxi services could be terminated easily.²⁶⁰

In terms of demand, it seems obvious that most of the taxi users have begun to use the illegal taxis instead of legal taxis. In this respect, besides the cheaper price tariff of the illegal taxis, trust and familiarity emerge as significant notions. These concepts characterize the relations between the drivers and customers.²⁶¹ However, at this point, before analyzing the underlying causes of this choice, an overview related to illegal taxi must be given.

Although there are no official findings regarding the constitution of the illegal taxi sector, thanks to the interviewees, I developed a narrative which states several key points corresponding with the issue. In connection with the migration wave which occurred in the 1980s, the population and unemployment rate of Istanbul increased relatively. The Özal government then gave permission to the inhabitants of Sultanbeyli, Şile, Büyükçekmece, Silivri and Çatalca to work as taxi drivers with their own vehicles.

As was mentioned above, in those years, these regions were not part of the Istanbul Metropolitan Municipality. Moreover, in those years the red taxis had not begun to serve in these regions. Therefore, the people who lived in these certain

²⁶⁰ Mehmet, interview by the author, tape recording, Kadıköy, Istanbul, Turkey, 28 April 2010; Ali, interview by the author, tape recording, Bostancı, Istanbul, Turkey, 27 April 2010; The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011; The President of the Istanbul Union of Cab Drivers Bayram Hacıhaliloğlu, interview by the author, tape recording, Ataşehir, Istanbul, Turkey, 7 April 2011; The President of the Fighting against Pirate Association Enver Uğur, interview by the author, tape recording, Çağlayan, Istanbul, Turkey, 5 April 2011; Umut, interview by the author, tape recording, Hisarüstü, Istanbul, Turkey, 18 May 2010; The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011; The Employee of the Chamber of Büyükçekmece Drivers and Automobile Owners Yavuz İnce, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011; Focus Group, interview by the author, tape recording, Sultanahmet, Istanbul, Turkey, 28 December 2010.

²⁶¹ Onur, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 18 July 2011; Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010.

regions began to provide transportation service with their own vehicles. Even the government made an exception by tolerating this provided service; it was not officially reorganized or regulated by the public authorities.

According to the interviewees' narrative, a few years later, the government decided to regulate this service in order to control it. In accordance with this aim, a tender was announced which sought to organize the red taxi market. Together with the organization of the red taxi service within certain regions, the transportation service which was provided by the inhabitants with their own vehicles was declared illegal. However, while this prohibition transformed the service features, it could not end it. On the contrary, the service went underground and extended through the downtown areas of the city.²⁶²

Currently, the illegal taxis offer service within the regions of Sultanbeyli, Şile, Büyükçekmece, Silivri and Çatalca and in the centre of Istanbul, and is a popular service.²⁶³ In line with this increasing demand of the customers, it is now possible to find an illegal taxi stand in almost every district in Istanbul, according to customer demand.²⁶⁴

In this context, still a large number of individuals may suppose that the illegal taxis mainly provide services in the housing estate areas such as Bahçeşehir, Başakşehir and Ataşehir and the regions that the legal taxis do not serve adequately. The crucial features of the settlement of mass housing such as the relative distance to the city center and the heavy population may pave the way to such arguments. On the other hand, it is also obvious that these characteristics make these areas convenient

²⁶² The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; Focus Group, interview by the author, tape recording, Sultanahmet, Istanbul, Turkey, 28 December 2010.

²⁶³ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

²⁶⁴ Onur, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 18 July 2011.

for illegal taxi service. As a consequence of the relative distance to the city center, the necessary inspections can be conducted only rarely. Secondly, more people apply to the illegal taxi services by virtue of their low prices compared to legal taxi services. Additionally, in accordance with the dense population, a high demand for the illegal taxi service exists quite soon in these certain areas.

Even though the aspects that assume that the illegal taxis serves areas where the legal taxis do not serve adequately may become reasonable, they do not enlighten the working areas of illegal taxis exactly. As mentioned above, illegal taxis serve almost every district in Istanbul. In fact, at the beginning of this study, it was stated that the illegal taxis primarily offer services in the housing estate areas and the regions that the legal taxis do not serve adequately. However, thanks to the field research, popular usage of the illegal taxi service was noticed and considered as a key point of this study.

In this sense, during the one of interviews which was conducted with illegal taxi drivers, it was asked whether finding an illegal taxi stand almost in every district in Istanbul was possible or not. They stated that the usage of the illegal taxis was widespread.²⁶⁵ As the related research also indicates, within many regions such as Bostancı, Etiler and Tarabya, in spite of the high usage of legal taxi services, various illegal taxi stands also exist. During one of my illegal taxi rides, the explanation of the driver revealed the underlying reason for this perception. Accordingly, in order to preserve their security they quit to deliver fliers and handouts after reaching a satisfactory number of customers. After that point, they start to register new customers to their system by considering their already registered customers' requests.

²⁶⁵ Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010.

In other words, after a point the illegal taxi service gets about among its customers. By this way, they do not prevent the increase of customer number as well.

As another crucial point, in general, the addresses of the illegal taxi stands are not known by their customers. Due to the fact that the kind of provided transportation service is informal and illegal, the addresses are not indicated on their fliers and handouts in order to preserve security. The experience that I had during the field research was also such as to confirm these arguments. I had to go through several phases in order to conduct an interview with them at their taxi stands. As mentioned before, conducting interviews with illegal taxi drivers were almost impossible without a connection. However, in some cases, the connection was not sufficient. At this point, gaining their trust emerged as another key point. In this context, in order to go their taxi stand, I phoned them and ordered an illegal taxi. After a couple of meetings and gaining their trust, they explained how they had lengthened the route in order to miss the address of the illegal taxi stand. By reason of illegal and informal characteristic of the sector, familiarity and trust become essential for them.²⁶⁶

The illegal taxi stands are usually established behind a front of a shop which seems like a furniture shop or a shop which sells water.²⁶⁷ The illegal taxi stand with which I conducted interviews was striking in terms of its characteristic. At first glance, one might suppose that the shop were empty. While its windows were covered with newspaper, there was no signboard signifying the company kind. On the other hand, a vast number of vehicles could be a remarkable point. Inside the shop, there were one desk with several chairs and electronic devices such as telephone and computer. Additionally, there were two sofas. What was more

²⁶⁶ Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010.

²⁶⁷ Onur, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 18 July 2011.

interesting was that there were many cages full of various birds. When I asked the reason for the birds they explained that they introduced themselves as bird sellers. In order to keep a low profile, in leisure times most of the illegal taxi drivers preferred to sit at the coffeehouse which was next to their taxi stand instead of taking a rest at their taxi stand. By taking such a precaution, they aimed to preserve their security.

Sometimes they serve under the name of a rent a car service. They aim to legitimize their services by stating that they rent cars with or without drivers. However, by renting a car with a driver, they provide the same service as the legal taxis. For this reason, the legal taxi drivers demand for the punishment of renting a car with a driver. According to their views, in this way, they offer a service by utilizing a legal loophole. This situation also disturbs the people who really provide rent-a-car service. By providing illegal taxi service under the name of rent-a-car paves the way for a negative image for the rent-a-car services. They also call for the authorized people to punish these illegal practices.²⁶⁸

What is more striking is that the illegal taxi service has met a demand within the taxi sector from the tolerant period of the Özal government to the current illegal and informal period. If its increased number of customers and taxi stands are considered, it is understood that this sub-sector still meets a demand. As the operator of one of the illegal taxi stands stated, if the customers do not use their service, they cannot maintain to offer service.²⁶⁹ At this point, how the illegal taxi service creates its customer profile and why the customers prefer illegal taxi services have to be analyzed.

²⁶⁸ President of the Fighting against Pirate Association Enver Uğur, interview by the author, tape recording, Çağlayan, Istanbul, Turkey, 5 April 2011.

²⁶⁹ Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010.

As a first step, illegal taxi stands deliver their handouts and fliers to inform the customers about their price tariffs with the taxi stands' phone numbers. Afterwards, each illegal taxi stand creates its customer profile by giving code to its customers. Every code consists of the knowledge of customer address and phone number.²⁷⁰ In this way, the customer can call an illegal taxi and just say his or her code. In this sense, the illegal taxi sector provides a kind of telephone-booking service. In contrast to the legal taxi service, it is impossible to taking a journey with the illegal taxi by applying the hailing or taxi rank segment. After reaching a satisfactory number of customers, the illegal taxi stands stop distributing fliers and handouts in order to avoid attention. After that point, the illegal taxi stands offer service only their coded customers. On the other hand, by considering their already registered customers' requests, they continue to register new customer as well. In other words, the illegal and informal characteristic of the sector results in more secure methods. Because of the fear of police raids, this sub-sector gives great importance to trust and familiarity.

In terms of customers, there are no big differences between legal and illegal taxi services. The illegal and informal characteristics of this sub-sector do not disturb its customer. As mentioned in this chapter before, because of the improper behavior of taxi drivers and the distrust of the customer in the legal taxi driver; most of the customers feel unsafe while taking a ride in a legal taxi vehicle. On the other hand, the illegal and informal characteristics of this sub-sector pave the way for establishing an atmosphere of mutual trust between the customer and illegal taxi

²⁷⁰ Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010; Elif, interview by the author, tape recording, Beşiktaş, Istanbul, Turkey, 30 April 2010; Onur, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 18 July 2011.

driver. By virtue of the fear of denouncement to the police, the illegal taxi drivers behave respectfully and provide more qualified service to their customers.²⁷¹

In addition to these, paying less money to the illegal taxi service in comparison to the legal taxi service makes legal taxis less preferred. Due to the fact that they do not pay taxes such in legal taxi drivers, they can offer a more affordable price tariffs. Also, knowing the total charge of the journey by looking at the price tariff makes this sub-sector more desirable. In this way, the customers trust their illegal taxi drivers in regard to avoid earning more money by lengthening the journey.²⁷² In this sense, some of the interviewees stated that the current price tariffs of illegal taxi services were not affordable anymore in comparison to the legal taxi service. According to their arguments, after obtaining the perception of “affordable price,” the illegal taxi services had begun to increase the price tariffs gradually. However, most of the customers still continued to think that the illegal taxis provide a service that is more affordable. In accordance with the negative image of legal taxi service, they cannot overcome these aspects.²⁷³

In the context of a regular working day, there is not a big difference between the legal and illegal taxi sectors. In general, both of them offer services to their customers all day long and work in accordance with the queue method. According to queue method, each taxi lines up at the taxi stand in order to provide services to their

²⁷¹ Elif, interview by the author, tape recording, Beşiktaş, Istanbul, Turkey, 30 April 2010.

²⁷² Elif, interview by the author, tape recording, Beşiktaş, Istanbul, Turkey, 30 April 2010; Onur, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 18 July 2011.

²⁷³ President of the Fighting against Pirate Association Enver Uğur, interview by the author, tape recording, Çağlayan, Istanbul, Turkey, 5 April 2011.

customers.²⁷⁴ However, when these two markets are analyzed in terms of working conditions, crucial differences emerge.

In contrast to the legal taxi service, in the sub-sector, each driver is the owner of his own vehicle. Therefore, the phenomenon of two different actors, one the taxi plate owner and the other taxi driver does not exist. In accordance with this situation, it is not established upon an unequal relationship among the drivers such as in the legal taxi sector. This is one of the main reasons why some of the legal taxi drivers prefer working in the illegal taxi sector after a while. One of the illegal taxi drivers who was previously a legal taxi driver explained the issue on the ground of economical conditions. According to his aspect, the high price of the taxi plates makes it hard to become a taxi plate owner. On the other hand, making a living by working as a legal taxi driver becomes improbable after a point. Therefore, working as an illegal taxi driver with his own vehicle seems a more sensible option.²⁷⁵

What is more interesting is that even though the illegal taxi sector has an informal characteristic, it does not fit in with the social characteristics which are usually attributed to the informal economy. Most of the illegal taxi drivers think that in comparison to the legal taxi sector, this sub-sector presents more humanistic working conditions to its drivers. Furthermore, they argued that the issue of uninsured working conditions is a problem of not only illegal taxi sector but also legal one.²⁷⁶

²⁷⁴ Focus Group, interview by the author, tape recording, Sultanahmet, Istanbul, Turkey, 28 December 2010; Onur, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 18 July 2011; Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010.

²⁷⁵ Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010.

²⁷⁶ Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010.

Almost all of the illegal taxi drivers emphasized how difficult and dangerous working within informal and illegal sector was. They explained that they are working as an illegal taxi driver as the last remedy. In fact, most of them previously had worked in different sectors such as textile and construction. However, economic problems paved the way for looking for another job. At this point, illegal taxi market seemed to them a convenient option.²⁷⁷

As another remarkable point, this study analyzes under which circumstances the illegal taxi drivers can be punished. In this sense, the police officers emerge as the essential actor. However, there are different aspects related to the role of the police officers among legal taxi drivers. While some of them believe that the police officers tolerate and allow the maintenance of illegal taxi sector, others think that the police officers duly perform their duties.

Accordingly, some of the interviewees claimed that most of the illegal taxi stand owners are the retired police officers. Therefore, although the police officers know the addresses of illegal taxi stands, they condone the existence of them.²⁷⁸ On the other hand, several interviewees did not agree with these arguments. In their opinion, the police officers and the government do their best.²⁷⁹ What is more puzzling regarding this issue is that the assertions of illegal taxi drivers. They indicated that they have the customers who are police officers. Additionally, they stated that the addresses of the illegal taxi stands are known by the police officers. However, for the reason that any customers do not complain about illegal taxi

²⁷⁷ Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010.

²⁷⁸ Ali, interview by the author, tape recording, Bostancı, Istanbul, Turkey, 27 April 2010; Mehmet, interview by the author, tape recording, Kadıköy, Istanbul, Turkey, 28 April 2010; Umut, interview by the author, tape recording, Hisarüstü, Istanbul, Turkey, 18 May 2010.

²⁷⁹ The President of Turkish Foundation of Cab Drivers Güneş Taş, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011; The Secretary General of the Istanbul Chamber of Cab Drivers and Artisans Hüseyin Arslan, interview by the author, tape recording, Seyrantepe, Istanbul, Turkey, 14 January 2011.

services, police officers do not take criminal action against them. They frequently stressed that they just try to earn a living for their family.²⁸⁰

The common view that each legal taxi driver draws attention is insufficient penal sanctioning. According to their views, inspections and punishments are not deterrent. In order to penalize an illegal taxi driver, the police officer has to catch the illegal taxi driver in act and also the customer must confirm that the driver works as an illegal taxi driver.²⁸¹ However, in some cases the customer can refuse the assumption by claiming that the person is not familiar.²⁸² Currently, if an illegal taxi driver is caught in the act, he is served with fine around 550 Turkish Liras. Additionally, the state impounds his vehicle for 15 days.²⁸³ Almost every legal taxi driver finds this punishment insufficient. Therefore, the president of Fighting against Pirate Association, Enver Uğur, prepared a bill of law and informed the authorized people by sending e-mails to them. According to that bill of law, for the first time the illegal taxi driver is served with fine around 3000 Turkish Liras and for the second time around 5000 Turkish Liras. However, for the third time he suggests that the state confiscates his vehicle.²⁸⁴ Moreover, most of the legal taxi drivers' views, the customer who is the key actor of this sector has to be punished in order to abolish this sub-sector. The mentioned bill of law was put on the agenda.

²⁸⁰ Focus Group, interview by the author, tape recording, Bağcılar, Istanbul, Turkey, 30 April 2010.

²⁸¹ The Vice President of the Chamber of Büyükçekmece Drivers and Automobile Owners Ali İhsan Özcan, interview by the author, tape recording, Büyükçekmece, Istanbul, Turkey, 6 April 2011.

²⁸² Elif, interview by the author, tape recording, Beşiktaş, Istanbul, Turkey, 30 April 2010.

²⁸³ The President of the United Taxi Drivers' Association Memduh Çırak, interview by the author, tape recording, Halıcıoğlu, Istanbul, Turkey, 5 April 2011.

²⁸⁴ President of the Fighting against Pirate Association Enver Uğur, interview by the author, tape recording, Çağlayan, Istanbul, Turkey, 5 April 2011.

CHAPTER SIX

CONCLUSION

I started to thesis with the motivation to present a general overview of how the taxi sector is organized and maintained in Istanbul. In this way, the study aimed to reveal how the illegal and informal practices were inherent and crucial to the sector. In fact, I was aware of this kind of illegal and informal practices existed not only in the taxi sector, but also in various other sectors. However, what was more striking and made particular to this case was the existence of a separate sub-sector.

The thesis focused why this sub-sector is called illegal and informal. In accordance with this purpose, it analyzed certain requisites which are compulsory for the legal taxi service but not fulfilled by the illegal taxi sector. In this sense, initially, the illegal taxis provide a service without the licenses which are issued by the state. Furthermore, it does not fulfill certain standards in respect of color or the letter which has to be on the taxi plates in order to identify them easily. In fact, the illegal taxis do not differ from private vehicles.

As another remarkable point, illegal taxis do not pay certain taxes. Like every private vehicle owner, they only pay their private vehicles' special consumption tax and value added tax. Due to the fact that they do not offer a legal transportation service, they also do not have any legal existence or works permits. In parallel with this situation, they do not have legal operation services like taxi stands, such in the legal taxi sector.

In accordance with the informal characteristic of the service, there is no institution which has power to take decisions relevant to this service within the local and/or central administration. In other words, it is not regulated by the public

authorities. Therefore, the requirements which contribute to control the legal taxi market are not valid for the illegal taxis. What is more interesting in respect of this issue is that this service has created its own standards and system.

On the other hand, in spite of the fact that this service is off the record, it has some visibility and popularity. It has established its own communication network and currently serves a great number of people who prefer to use it instead of legal taxis. The customers are informed of the illegal taxi service through fliers and handouts. Moreover, getting information from the users of the service is a common characteristic of the illegal taxi sector.

I furthered my arguments, by comparing the Istanbul taxi sector to the taxi markets of particular cities and countries. In this sense, I looked at the samples in terms of the kind of service provided, which become namely the taxi rank segment, the hailing segment and the telephone-booking segment. Even though a similar differentiation and segmentation exist in the Istanbul taxi sector, the sub-sector is defined as illegal and informal. Therefore, I questioned why this sub-sector in Istanbul is not regulated and remains as illegal and informal.

What makes the Istanbul taxi sector more interesting is the informal characteristic of the illegal taxis. It does not fit in with the social characteristics that are usually attributed to the informal economy. Besides its unofficial and non-taxable structure, the informal economy is usually discussed in terms of inhumane and uninsured working conditions. However, as the thesis indicated in Chapter Five, while the inhumane working conditions prevail mainly for the legal taxi sector, the uninsured working conditions exist in both sectors. In this context, the thesis claimed that the taxi sectors do not diverge from each other to a great degree.

Another crucial issue which constitutes a puzzle in case of the taxi sector in Istanbul is the preferences and choices of the customers. As the thesis argued in Chapter Five, most of the customers stated that they do not receive high quality and standard service from the legal taxi service. Their essential complaints are mainly derived from the improper behaviors of legal taxi drivers. In this context, the lack of control related to the main requirements for people who want to drive a taxi emerges as a problem. Most of the taxi drivers do not have the necessary documents. This circumstance results in the distrust of the customer of the legal taxi driver. Therefore, most of the customers do not feel secure while taking a ride in the legal taxi. On the other hand, the drivers of the illegal taxi service offer more qualified service to their customers. A great number of customers state that they are not subjected to improper behavior from the illegal taxi drivers. At this point, on the ground of their service's illegality, the fear of complaint results in proper behavior and more qualified service.

My analysis of why the illegal taxis are used by many people revealed two notions which are essential for the informal economy: trust and familiarity. The relations established between the drivers and customers indicate the significance of mutual trust. Accordingly, not only does the customer trust the driver by using his service, but also the driver trusts the customer not to report him to the authorities. As a consequence of the fear of being reported, the illegal taxis offer more qualified service to their customers. On the other hand, the existence of illegal practices within the legal taxi sector prevents the customers in terms of trusting the taxi driver. In addition to these, thanks to the coding system, the illegal taxi service establishes the familiarity. As my observations pointed out, they generally work as an ordinary part of the neighborhood. Moreover, they are easily approved of craftsmen of the

neighborhood. Therefore, according to most of the customers, there are no great differences between the legal and illegal taxi services.

The Istanbul taxi sector is caught between formality and informality. The boundaries between the legal and illegal, formal and informal are blurred. In other words, the formal and informal implementations together with legal and illegal practices intermingle in Istanbul's taxi sector. At this point, the reasons of the illegal taxi service existence can be questioned. It may derive from the regulative policies which are not fully enforced. However, this does not mean that an irregularity dominates the legal taxi sector in Istanbul. Although the legal regulations and the practices differ at various points, there are certain implementations that everyone agrees upon.

However, some of the regulation policies may be a reason for the informal implementations. In this context, the policy of the quantity restriction within the taxi market may lead to an illegal sub-sector. Although it is claimed that the number of legal taxi vehicles per person is oversupplied, the existence of this sub-sector may also be in the interest of certain authorities. It is possible that this illegal taxi service also meet a demand within the taxi sector. However, the crucial fact is that this sub-sector is not officially reorganized or regulated by the public authorities. In parallel with these reasons, a law draft which aggravates the punishment of drivers of the illegal taxi service is on the agenda. However, related implementations have not been enforced yet.

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