



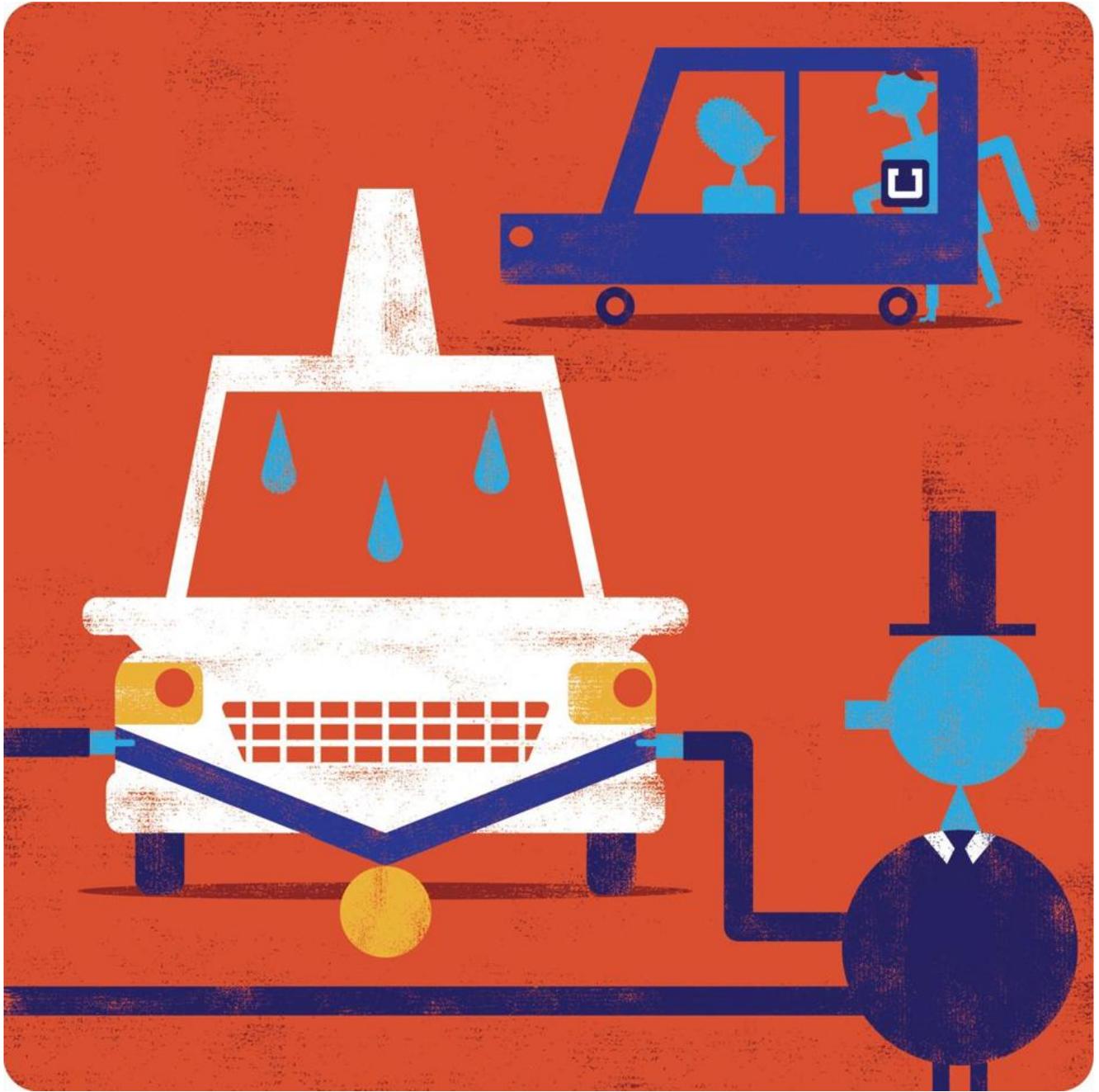
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Scrap taxi medallions



MATTHEW DALEY FOR THE BOSTON GLOBE

| APRIL 24, 2016

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A COUPLE OF years ago, Mohannad Tarshahani was going broke. He didn't own one of the 1,825 medallions that are required to operate a cab in Boston, so he paid \$1,000 a week to rent a taxi from someone who did.

Tarshahani logged 12-hour shifts, barely covering the weekly fee. "Basically, I was working for the medallion owner," he says. "It became too much."

Yet it could have been much worse. Consider the plight of Tarshahani's colleague. He turned down an offer to sell his medallion for \$670,000 — before the ride-hailing company Uber pulled into town in 2012. The once-precious pieces of metal began to lose value as consumers abandoned old-style cabs for a new way of getting around. "I was talking to him recently," Tarshahani says of his friend. "He couldn't pay his mortgage, so he gave the medallion back to the bank. A lot of guys have."

These days, Tarshahani, 49, drives his own car, for both Uber and Lyft. He's happier, and so are his customers. "They tell me, 'I will never take a cab again.' I hear it over and over."



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No wonder.

The ride-hailing industry was born out of a leap in personal technology and given a boost by the taxi industry's complacency and greed. Boston taxis were in most cases controlled by monopolistic owners and failed to adopt even marginal improvements in customer service: Cabs were slow to adopt credit card payments, were often filthy and worn, and some drivers refused to go to certain neighborhoods. Uber and Lyft offered better services and lower prices while differing from taxis just enough to avoid running afoul of the law. As a result of all this, medallion prices are in free fall — under \$200,000, in some cases — and there's no sign that they're close to hitting bottom.

In a desperate attempt to stave off its demise, the taxi industry has gone to federal court and to Beacon Hill in search of help. The Boston Taxi Owners Association and two taxi license owners are seeking an order that would force the city to apply its taxi regulations to ride-hailing companies, which would effectively put them out of business in Boston. Meantime, Massachusetts lawmakers are working on legislation that would establish statewide ride-hailing rules, including rigorous background checks for drivers.

The taxi industry complains that while its fares, vehicles, and drivers are strictly regulated, the city's oversight of ride-hailing companies has been lax. The federal court action and the state legislation are both aimed at rectifying that alleged inequity.

But neither effort addresses a key underlying issue in the Uber-taxi conflict: what to do about those taxi medallions. It's time to get rid of them.

ABOLISHING MEDALLIONS MIGHT seem like a drastic step. But it is a remedy long overdue because legislators, regulators, and the livery-industrial complex have been unwilling to answer two fundamental questions: Why is operating a taxi still a regulated profession? And who is Boston's medallion system designed to serve?

To answer the first, it's worth considering why the taxi industry worldwide is running out of gas. Conventional wisdom says it is because of Uber and Lyft — and those plucky tech companies might make good foils for the hardscrabble cabbie. But they're just the symptom.

The root cause really can be traced to something more ubiquitous: GPS navigation.

At one time, the best cabbies had highly specialized knowledge. Their years of experience behind the wheel and nuanced understanding of the city's auto circulatory system made them superior navigators. It was a professional, nontransferable, marketable skill and worthy of regulatory protection because of the value it provided to the traveling public.

But the ubiquity of GPS on mobile phones — augmented by real-time traffic monitoring — has made this specialized knowledge largely valueless, and the extra regulatory measures largely superfluous.

Hop in the back of a taxi today, and the driver is just as likely to enter the destination into a GPS as to navigate from memory. And even if the memorized route might be a bit faster, the GPS knows things about traffic jams that a driver's cerebral cortex simply could not. This enables artists, salesmen, computer programmers, or retirees to drive Uber part time and provide service that's as good or better as a cab.

Take away the specialized knowledge of routing, and the taxi-driving profession has been reduced to staying in a lane, obeying the speed limit, and coming to a full and complete stop at red lights and stop signs — something that every single driver in the state is already licensed to do. It's still necessary to screen out violent criminals, but background checks should be sufficient for that task.

WHICH BRINGS US to medallions and another vexing, existential question: Is the purpose of the taxi medallion system to provide a steady income for medallion owners and the drivers they employ? (Or, as state Representative Michael Moran recently said, to provide income to banks that financed the purchase of the medallion in the first place.) Surely not. Yet that's just what the medallion system has become.

In the summer of 1934, the Globe noted that the Boston Police Department had issued only a single horse-and-carriage license that year, compared with 1,500 taxi licenses. “But individuals continue to get nowhere just as swiftly,” the writer quipped. Astonishingly, more than eight decades later, the number of taxi licenses had grown by only a little more than 300.

This restricted supply had predictable consequences, according to a report from the Institute of Justice: Current and would-be drivers paid the price, as did the riding public, “especially the poor and minorities, who receive inadequate, unreliable, and costly taxicab service.”

All the while, the transferrable medallions surged in value. A few years ago, a single Boston medallion commanded as much as \$700,000.

Now, the question for medallion owners is whether their once-valuable property will retain any value at all. That will take increasingly Rube Golbergian interventions: Consider the recent bill passed by the House that would ban ride-hailing companies from the Boston Convention & Exhibition

Center, protecting that venue as a taxi-only fiefdom. “We owe the medallion industry a little better effort than just saying, ‘Sorry, there’s new technology, and you’re out of luck,’ ” Moran told the Globe.

Does the Legislature propose to also ban conventioners from walking a block or two to catch an Uber?

Framing of the problem the way Moran does belies its true nature: Medallions are an industry — one that exists only because of archaic regulations and one that stands athwart, rather than in service of, efficient transportation.

Preserving their value serves more the interest of medallion holders, than the public’s.

CITY AND STATE officials may have preferred to let the taxi industry’s downward spiral run its course, delaying the implementation of comprehensive ride-hailing regulations until the wrangling over whether Uber and Lyft have an unfair advantage became moot. But a March 31 decision by US District Court Judge Nathaniel M. Gorton made it clear that he won’t let that happen. Gorton gave the City of Boston six months to draft regulations that apply to both taxis and services such as Uber and Lyft, regardless of what happens at the state level.

Rather than view the September deadline as a threat, the city should seize upon the chance to rethink the system entirely. A good start would include scrapping the antiquated medallion system, along with taxi-fare rate structure and geographic limits on where cabbies can pick up rides. A less drastic option could be to keep the medallion system intact purely as a form of licensing but eliminate the cap on the number of medallions, while ensuring that safety rules for cabs align with whatever standards are applied to ride-hailing services.

Regulators should establish rules that put in place safety and consumer protections against price gouging and other unscrupulous practices. Once that's done, the playing field will rightly tilt towards those businesses that best serve consumers' needs.

Jenifer M. Pinkham , an attorney who represents the plaintiffs in the federal case before Gorton, says taxi operators “have been required to play by the rules created by this medallion system,” limiting their ability to be competitive with the relatively unfettered ride services. But that doesn't mean medallion owners are entitled to immunity from new technologies that weren't even conceivable when the system started.

As the judge wrote, there was never any guarantee that medallion holders would “enjoy permanent market exclusivity.” They simply bought a license to operate one of the city's finite number of taxis, not the right to exclude new types of businesses.

How, or whether, medallion owners are compensated for their loss would, rightly, spark contentious debate. Some may have unwittingly opted into the trade on the cusp of the seismic changes brought about by Uber and Lyft. But other medallion owners reaped the benefits of market exclusivity for decades, treating customers and drivers poorly in the process. They warrant no special consideration.

Until a few years ago, owning a medallion seemed like a sure thing. The truth is, it was always a gamble, just like any other business venture. The world has changed, and the regulatory system needs to change with it.

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