

**MODERATOR'S COMMITTEE ON TAXI MEDALLIONS**  
**Monday, July 21, 2014 @ 7:00 PM**  
**Room 408, Brookline Town Hall**  
**333 Washington Street**

**Meeting was called to order. Present were:**

Joshua Safer, Chairman  
Chad Ellis  
Amid El Khoury  
Jeff Kushner  
Michael Sandman  
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Richard La Capra

Chairman Safer opened the meeting at 7:05.

- He explained to members of the public that the committee would take public comments at the end of the meeting, but that there would be a public hearing later in the summer.
- Richard La Capra, taxi consultant and author of the plan to convert to a medallion system, joined the meeting to answer questions about his report.

Chad Ellis opened the discussion with Mr. La Capra by commenting that in order to endorse a medallion system as contemplated by Mr. La Capra's report, one had to believe that the taxi companies could take on debt and yet still cover the added expense by improving revenue or reducing cost, and further believe that there was no alternative [to achieving our objectives] without selling a permanent right.

- He introduced two spreadsheets showing the rate of return that taxi companies would need to make in order to cover their added costs. The spreadsheets showed rates of return on the order of 200% in the most optimistic case. Mr. Ellis pointed out the unlikely nature of such a rate of return. He also said that the amount a free cash needed to cover the cost of new vehicles was inadequate.
- However, on further examination, an error in the spreadsheets was discovered. It was agreed that the correct calculation would show that an ROI of about 20 – 25% was needed, and that there were questions about the calculation for debt coverage. Mr. Ellis agreed to review the spreadsheets off line and correct them.
- Amid El Khoury said that it would cost \$12,000 a year to insure taxis that had been financed vs. \$6,000 for cabs that were paid for in full by the owner, and that intent of the cab companies was to borrow to cover the cost of the medallions, and pay cash for the vehicles.

Mr. La Capra responded to Mr. Ellis's main point by stating that going to medallions would provide an incentive for the five dispatch operations ["radio rooms"] to consolidate. That would

allow the remaining companies to allocate funds from reduced switch operating expense to cover the debt they would incur to acquire an asset. Without assets, he said the companies could not borrow.

- Mr. El Khoury concurred with Mr. La Capra that without medallions, it was not possible for the companies to borrow.
- Mr. Kushner and Mr. Ellis asked why the dispatch operations hadn't already consolidated to reduce expenses. Mr. Sandman responded that the cab companies were holding out as independent operations in order to participate in the medallion conversion process because they saw it as a "pot of silver".

Jeff Kushner asked why the Town wasn't opening up the auction to better capitalized companies [from Boston].

- Mike Sandman explained that when the plan was developed by the Town Administrator's staff workgroup, there was a belief that the incumbent companies should have an advantage – a "hometown discount". He stated that at least one Boston operator had attended a public hearing as the plan was being developed and had expressed strong interest in acquiring Brookline medallions.
- Mr. La Capra said that he had been given two criteria when he was asked to develop a plan: provide preference for the incumbents and provide an opportunity for individual drivers to buy in.

Chad Ellis returned to the point that debt capacity [to borrow for financing vehicles] would still be fairly low.

- Richard La Capra pointed out that the \$125,000 estimate [for the market price of a medallion following the last auction tier] was for a new entrant willing to work hard [as a driver], and that the price was justified [only] by looking at the earnings of the best performers among drivers.
- Mr. La Capra was asked whether \$125,000 was just a plug number and perhaps an unrealistic one. He responded that Boston cab drivers can earn about twice what Brookline drivers earn, and that the market price for medallions in Boston was in excess of \$500,000.
- Mike Sandman commented that the Boston regulations allowed medallion owners to lease out the medallion to vehicle owners, something the Brookline regulations would not allow. Mr. El Khoury said that his understanding was that the latest draft of the Brookline regulations would allow leasing of medallions.
- Mr. La Capra explained that the auction plan doesn't guarantee that the price of a medallion will rise enough to finance all of Tier 2 and Tier 3 [by selling off Tier 1 medallions]. But it will allow for the financing of enough of Tier 2 to make it possible to attract outside investors/outside capital.
- Josh Safer pointed out that the question of the viability of the financing envisioned by the plan was a key concern for Town Meeting when it voted to refer the plan to the Moderator's Committee, and his analysis was that Town Meeting was responding to Chad Ellis's statement at Town Meeting that the numbers didn't work.

Jeff Kushner turned the data in the La Capra report. He stated that the average of 17 pickups per day seemed too low based on his own experience driving a taxi 20 years ago. He said that there must be unmetered pickups.

- Amid El Khoury and representatives of two taxi companies attending as members of the public agreed that 10 to 20% of the rides are off the meter [which would suggest 19 to 21 pickups a day was more typical].
- Mr. La Capra got his data by reviewing meter data, and he came back to his main point, which was that Brookline drivers earned about \$250 a day in meter fees before tips and before any flat rate [off the meter] rides, vs. \$425 - \$455 for an average Boston taxi driver.
- Mr. Kushner wondered whether there were too many cabs, given that the income stream from the customers had to cover both the vehicle owners and the drivers and that Uber was changing the market. In response to Mr. Sandman's comment, he agreed that the market was not a zero sum game, because Uber would broaden it.
- Mr. Sandman commented that Town Meeting was concerned that drivers had low incomes and no benefits, but that if incomes went up and benefits were provided (1) the cost of a ride would have to go up and that (2) if the compensation for driving a taxi rose, many of the current drivers would be pushed out the business by better qualified people attracted by the higher pay. Mr. Kushner agreed, but said that was an acceptable consequence from a public policy point of view, although he recognized that Town Meeting might have a different view.

Following up on the discussion of the impact of Uber, Mr. La Capra pointed out that in both New York City and Boston, when taxi drivers started accepting credit cards, paid rides increased, and while Boston rides had dropped by 0.6% as a result of Uber, taxi revenue had gone up.

Josh Safer asked Chad Ellis whether he would support conversion to medallions if the numbers could be shown to work.

- Mr. Ellis responded that the numbers might work if the price of a medallion went up to \$125,000 [after Tier 3] but that he questioned whether the numbers would work if the price didn't get to that level.
- Mr. Sandman said that medallion owners who got medallions in the first and second tier would sell their medallions to individual drivers. Mr. Kushner asked whether there were enough drivers who could [afford to] buy in. Mr. Sandman suggested that we ask Brookline Bank that question, implying that the answer would be positive.

Mr. Kushner asked whether bidders would collude in the initial auction to keep the price down, which would reduce the amount realized by the Town. A discussion followed about the claw-back provision in the proposed auction plan.

Mr. Kushner commented that currently the experience for everyone in the taxi business was poor – for the vehicle owners, for the drivers and for the customers. He said that the best system would be to have individual owner/drivers. He suggested that there are probably too many Brookline cabs for the amount of business.

- Mr. Sandman suggested that we needed to work out a pro forma P&L for an individual driver/owner under a medallion system..

- Mr. Ellis asked whether a medallion system with individual driver/owners was the best/only way to achieve our objectives. Josh Safer commented that it was a plausible way. Mike Sandman pointed out that it also allowed the Town to extract a substantial amount of value, and he asked Mr. La Capra for his answer to question Mr. Ellis had raised.
- Mr. La Capra said that the essential element in any path forward is “finaciability” [whether the plan created assets that could serve as collateral]. He said that you have to create rights for the owner, and referring the Mr. Kushner’s earlier remark about 99 year leases on London, that a leasehold might work if it looks like a long term grant of rights.
- Mr. El Khoury remarked that while a leasehold might work, the banks and the industry understood medallions. Mr. Kushner agreed and said that we didn’t need to reinvent the wheel.
- Mr. La Capra said that the ability to finance the purchase [of the medallion or similar right to operate] and the ability to transfer that right were the keys.

Chad Ellis agreed that we didn’t need to create a pseudo-medallion. But he said that he had a problem with the morality of creating a closed system. He asked about open systems, where there was no barrier to entering the market, which there would be with a fixed number of medallions.

- Richard la Capra responded that cities with open systems typically revert to a fixed number of taxis, and he offered Montreal as a recent example.
- Mr. Ellis said that regulations should focus on the requirements to operate and allow any qualified person to enter the market.

Following that discussion of economic and regulatory philosophy, the committee members agreed that we should build the P&Ls and business case for a medallion system and review tah material on August 4, and that we would go forward with a public hearing no July 28. Mr. La Capra said he would be willing to help with our financial analysis.

Comments from the public:

John Harris introduced the FTC’s restraint of trade decision regarding Boston’s medallion system, a decision that forced Boston to issue new medallions in the 1990s.

- He asked why, if Uber can attract investment even though they don’t have medallions, cab companies can’t. And he asked why restaurants, which like Brookline cabs have annually renewable licenses, can get banks to lend to them, but holders of annual taxi licenses cannot.
- He said that we had talked about medallion prices in the range of \$70,000 to \$125,000 but that prices in Boston, Cambridge and Somerville were much higher.
- He said that in his experience taxi drivers would be able to borrow for their initial vehicle, but questions how they would manage to finance their second vehicle.

Following the public comment period, the committee approved the minutes of its July 14 the meeting by a vote of 4-0.

The committee confirmed that it would hold a public hearing on July 28, and agreed that it would be useful to meet with representative of Brookline Bank and possibly with the court-appointed accountant who oversees Red cab's operations.

The meeting adjourned at approximately 9:30 PM.

Mike Sandman, Secretary

Documents: Federal Trade Commission report on Boston taxi medallions – provided by John Harris