

MODERATOR'S COMMITTEE ON TAXI MEDALLIONS
Monday, September 8, 2014 @ 7:00 PM
Room 308, Brookline Town Hall
333 Washington Street

Meeting was called to order. Present were:

Joshua Safer, Chairman
Chad Ellis
Jeff Kushner
Michael Sandman

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.

The committee members had a brief discussion of the Q&A document provided by Richard La Capra. Then they began an unstructured discussion of the various views and concerns they have with the La Capra plan and with the concept of medallions in general.

Mike Sandman - question to Chad Ellis: is the fundamental objection that you have two medallions a philosophical one or a financial one?

Chad Ellis: both. It's not ethical to bring future value to the present actors.

Jeff Kushner: Permanent is a problem [recognizing that medallions confer a permanent property right]; regulating in the future could cost the Town money. There is a supply and demand imbalance in Brookline. The odds of issuing the right number of medallions to correct that imbalance are small. The overall objectives are agreed [as defined at the committee's first meeting]. There's a certain world where you could convince me [that the Town should sell medallions]... But not this process [La Capra's plan]. Example of an alternative: Auction; or sell medallions and force the buyers to hold them and invest in their businesses. But it's not an ethical question [as far as Jeff Kushner is concerned].

Chad Ellis: Agrees with Jeff Kushner that the existing plan doesn't meet the objective for the Town's financials.

Mike Sandman: if you don't agree with the existing plan, make it clear what you think we should do.

Chad Ellis: Part of what we are talking about is [the ethical and financial effect] of medallions in general, but a large part of it is specific to Brookline and the La Capra plan. The plan does not capitalize small operators, it is in effect financing an exit for the existing operators, not

capitalizing the industry.

Mike Sandman; We could capitalize the industry by bringing outside buyers in, but there's a trade-off between doing that and the risk of a lawsuit from the existing operators.

Jeff Kushner: We need a trade-off analysis of the risk of losing a lawsuit and we need to calculate the value of rewarding the incumbents. The La Capra plan seems to satisfy fewer of the public policy goals and it does so through a complicated process.

Chad Ellis: wW could automatically issue new medallions when the price reaches a certain point. That would limit the potential windfall if we give the incumbents an advantage when the first round of medallions is issued. Josh Safer agrees with that.

Jeff Kushner: How about an open auction with a rebate to the incumbent operators. Just kidding, but that is an example of an alternative that would satisfy the incumbents and still achieve the objectives of renewing the taxi fleet and providing the Town with a financial gain.

Chad Ellis: Some of the problems have been exacerbated by the process La Capra outlined, Which has discouraged consolidation. Unneeded cabs are being kept in operation as a way to ensure that the operating companies will get medallions. The operators are prisoners of their future expectations of success.

Josh Safer & Jeff Kushner agree that we need to write a provision into the regulations that would allow the Town to reduce the number of medallions at some point in the future even though the Town would probably never do that.

Chad Ellis: We need to state how we would change the process.

Mike Sandman: Okay, what do we say to Town Meeting?

Jeff Kushner: We need to revise/inventor process, perhaps with medallions. Perhaps an open auction with a rebate to operators; that would hopefully get the Town more money and bring in better-capitalized buyers.

Chad Ellis: It's not wise to put a limit on the number of medallions of bark and acquire; it's an invitation to corruption because buyers will set up shell corporations in order to increase the number that they can aggregate. Rather than sell to Baystate who then sells to the drivers, we should go direct to the drivers who were to buy in. Perhaps rather than a medallion we could get a lifetime nontransferable right. Or we could have a smaller number of tier 1 cabs for the operators.

Jeff Kushner: Ccapitalization doesn't occur unless the buyer gets in at below market. The medallion is not a productive asset; only the taxi is productive.

Mike Sandman: Okay let's break and put together a set of alternatives.

Chad Ellis: Mike Sandman and Josh Safer advocate different approaches. Mike Sandman wants to shrink the number we issue in order to increase the price in contrast to Josh Safer's approach. **[which was what?]**

Suggestion: Give away X number of medallions to compensate the owners for their vested interests and past service to the Town, but give it away after the auction, when a fair market value has been established by selling to outside parties.

Chad Ellis: A fixed way of handing out medallions is a mistake. We need to have flexibility in the process. And we recognize that the Town owes something to the operators.

Jeff Kushner volunteered to find more information on an appropriate auction process; Chad Ellis says that he could do the same with some help from an academic.

Jeff Kushner: You're only capitalizing the first generation of owners.

Chad Ellis: Agrees a one-year license gives no incentive for someone who we want to buy a \$30,000 car. But a medallion isn't the only way.

Mike Sandman: Okay but what is an alternative?

Jeff Kushner: We can't get the Town the money it seeks without medallions. Chad Ellis agrees.

With or without medallions, having the right rules and enforcing them is the key to good service. Medallions don't cure the need for enforcement and they don't automatically result in good service.

Jeff Kushner: If the primary policy objective is to raise money for the Town, medallions are the way, but it's important to recognize the trade-offs.

Chad Ellis: It's true that there are benefits, but the negative effect of medallions has to be recognized.

Jeff Kushner: Aand there's a payment that were making to the industry.

There are three issues: (1) companies couldn't buy new cars capitalized as they are; (2) medallions are way to bring in outside capital; (3) is a risk of the suit if we don't give something to the incumbent operators.

Chad Ellis: Manage the number of vehicles through market signals - specifically by setting a trigger for issuing new medallions based on an indexed resale price.

Jeff Kushner: What are the objectives for the auction?

- Maximize value
- Compensate the operators "appropriately" by a formula as opposed to compensating them with a fixed amount

- Make it possible for individual drivers to buy in, which may be at large with the previous two objectives
- Amid and Matt (Hello Taxi & Red Cab): Remember that one objective is to have competition between radio rooms and if you cut down the number of taxis too much it will be possible for more than one dispatch room to be viable.

Discussion of including in the regulations a procedure to issue a small number of new medallions when the price goes up by X amount; risk that the rules may say that, but the rules could be altered by a future Transportation Board under pressure from the operators.

Matt (Red Cab): Having lots of rules requires lots of enforcement, and medallions are intended to fund that.

Amid (Hello Taxi): No one will invest in buying a new cab every five years without having a guarantee of future rights that he can sell.

Matt: A lifetime license will create a version of New York City rent control, whereby the original owner will rent out the license to others.

Amid: The legislation anticipates that the existing operators "may" be given incentives to continue to operate.

Chad Ellis: we need to look at the enabling legislation in the political judgment and the ethical issue.

Jeff Kushner: we need to see whether there is an option for some method of compensation other than the mechanism in the La Capra plan.