

Taxi Regulations in Metro Boston

BOSTON LIC. TAXI



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INTRODUCTION

Last year, the City of Boston commissioned a thorough investigation and study of its taxi regulations. The study was conducted by Nelson\Nygaard, and examined the current status of the rules and regulations in place for the taxi industry, as well as identifying real and perceived problems and putting forth potential solutions.

However, no city exists in a vacuum, and especially in metropolitan Boston, each aspect of the transportation network in each municipality can and does have effects on its neighbors. To complement the work completed by Nelson\Nygaard, MAPC has compiled a brief survey and analysis of the taxi rules and regulations in cities and towns surrounding Boston. This brief summary identifies the basic system of regulation in each of the selected municipalities, and also examines what – if anything – is being done to regulate new and emerging on-demand taxi services and companies such as Uber, Lyft, and Hailo, among others, in this region and across the country.

TAXI REGULATIONS AND PROCEDURES IN THE METRO REGION

While the specifics vary, cities and towns in the metropolitan Boston area take generally the same approach to the regulation of the taxi industry. Municipalities require taxi companies or owners of taxis to obtain a permit or license (sometimes called a medallion) to operate within the municipal boundaries; taxi drivers are required to obtain a specific taxi driver's license; and rates, fares, and other fees are set by the municipality. For the purposes of this report, "taxi owner license" will mean the license or permit that the taxi company must obtain to pick up passengers on the street in a given municipality and "taxi driver license" will mean the license an individual must obtain to drive a taxi legally.

Cost of Taxi License		
Municipality	Owner License	Driver License
Brookline	\$300	\$50
Cambridge ¹	\$250	\$85
Chelsea ²	\$150	\$55
Everett ³	\$100	\$25
Newton	\$25	\$25
Quincy	\$75	\$35
Revere ⁴	\$125	\$130
Somerville ⁵	\$250	\$100

1. Cambridge taxi driver license includes one-time \$75 for hackney school; \$32 for annual renewal.
2. Chelsea taxi owner license includes one-time \$50 application fee; Chelsea taxi driver license includes one-time \$25 application fee.
3. Everett taxi owner license is price per cab stand.
4. Revere taxi driver license includes one-time \$100 fingerprinting fee.
5. Somerville taxi driver license costs \$50 for annual renewal.

All of the municipalities immediately surrounding Boston charge fees to obtain a license to operate a taxi within municipal boundaries. In each of the surveyed municipalities, it

is illegal to operate a taxi without that license. Taxis licensed in one municipality may either pass through or drop off passengers in other municipalities, but they may not pick up new passengers who hail them on the street. The cost of a taxi owner license ranges from a low of \$25 in Newton to a high of \$300 in Brookline. The fee for the license required for taxi drivers ranges from a low of \$25 in Newton to a high of \$130 in Revere.

One major difference between Boston and its neighbors is the cost of a medallion.¹ Despite the fact that Boston has more licensed taxis than all of its neighbors combined, there still exists an incredible demand for access to a Boston medallion. Consequently, the private market for Boston medallions has seen prices climb from \$100,000 in 1980, to over \$500,000 in 2012. None of this money goes to the City and it has somewhat changed the nature of the industry. A speculative market has been created where it is assumed these prices will continue to climb, making Boston taxi medallions an attractive investment opportunity. The Boston Globe's investigative report from 2013 highlighted the disconnect between owners of medallions who have made fortunes by owning dozens or hundreds of medallions, and the difficult day-to-day life of a taxi driver trying to make a living.²

In addition to regulating fees, all of the municipalities surveyed also regulate the total number of taxis allowed to operate within the municipality. In Newton and Somerville, the number of taxi licenses issued is limited to one per 1,000 residents, not including any licenses issued prior to those rules being adopted and resulting in a slightly higher number. Other municipalities do not place a population threshold on the number, but instead give the local body charged with regulating taxis the leeway to issue the number necessary to provide convenient service to residents. In addition to regulating the number of taxis, municipalities also regulate the taxi fare rates. These rates stipulate

¹ What the City of Boston calls a medallion is most similar to the "taxi owner license" as defined in the first paragraph on page 3. Some cities and towns allow their taxi owner licenses to be bought and sold, but there is not necessarily the same demand to purchase one of these licenses as there is in Boston.

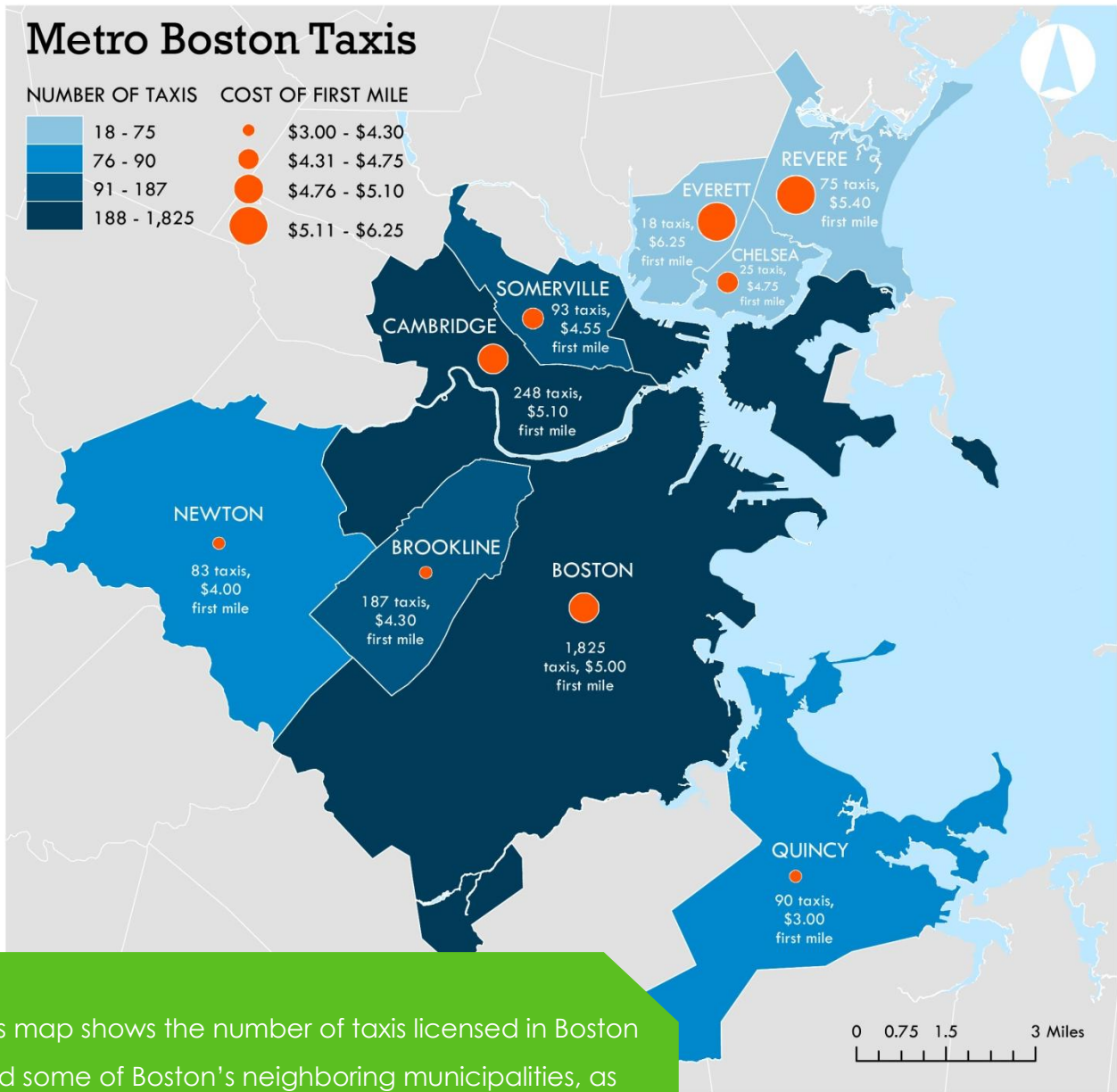
² Boston Globe Staff (March-April 2013) Spotlight Report: Driven to the Edge. *The Boston Globe*. Retrieved from www.bostonglobe.com

the fare for the first fraction of a mile, the fare for each subsequent fraction of a mile, and the rate per hour of waiting time.

Outside of Boston, only Brookline requires that taxi drivers be members of dispatch associations. The dispatch associations are formed to provide taxi dispatch services to residents. They receive requests by telephone, email, SMS message, or smartphone application, and assign taxis to those requests. In practice, dispatch associations and taxi companies are one-in-the-same. However, the requirement means that taxi drivers must pay additional fees to the dispatch associations. It also limits the ability of independent taxi companies to operate in a city or town with such a requirement. In cities and towns without this requirement, the dispatching is handled by the taxi companies directly.

Metro Boston Taxis

NUMBER OF TAXIS	COST OF FIRST MILE
18 - 75	\$3.00 - \$4.30
76 - 90	\$4.31 - \$4.75
91 - 187	\$4.76 - \$5.10
188 - 1,825	\$5.11 - \$6.25



This map shows the number of taxis licensed in Boston and some of Boston's neighboring municipalities, as well as the cost of the first mile of a taxi ride in each of those municipalities. The City of Boston has more licensed taxis than all of the other municipalities combined.

ON-DEMAND TAXI SERVICES

Undoubtedly the biggest change in the taxi industry in recent years has been the introduction of on-demand taxi services provided by companies such as Uber, Lyft, and Hailo, among others. These companies allow users to download a smartphone application to hail a taxi rather than either calling a company for a taxi to be dispatched or attempting to hail a taxi on the street.

Among these new services, it is important to draw a distinction between those services and applications that allow passengers to hail regular, licensed taxis via a smartphone application, and even newer services that allow individuals with cars to become quasi-taxi drivers. Uber Taxi is a smartphone application that connects passengers to available, licensed taxis. Passengers request the taxi via the application and are provided with the taxi number and the name and sometimes a photograph of the driver. They can then track the taxi as it makes its way to their location to pick them up.

In contrast, UberX is a service that hires licensed drivers with cars to provide taxi-like or “ride-sharing” services. While the companies that offer this type of service conduct background checks for drivers, no special license is required, nor is any additional training. The companies do provide insurance coverage to protect both the drivers and passengers in the case of an accident. UberX and similar services tend to be less expensive than their regular taxi or luxury counterparts. However, they do make use of so-called “surge pricing” that can cause rates to escalate.³

Both versions of on-demand taxi services have been criticized. Dispatch associations dislike Uber Taxi because it cuts them out and makes them less valuable to the taxi drivers. The associations also claim that the application allows drivers to pick and choose their rides, something they cannot do when assigned a fare by a dispatch association.⁴ This raises the prospect that some neighborhoods or municipalities may be

³ For more information on surge pricing, see p. 10 of this report.

⁴ Farrell, Michael B. (2013, March 13) Taxi fleet in Boston sues over app that hails rides. *The Boston Globe*. Retrieved from www.bostonglobe.com

better served than others, which has long been a sensitive issue in the Boston region. The taxi drivers raise related but different issues. Taxi drivers dislike UberX and Lyft (a similar taxi-like or ride-share service) because they claim the lack of regulation for these drivers and their vehicles poses a potential threat to public safety and a direct threat to their own livelihoods.⁵

Cities and towns in the region and across the country are grappling with these issues as they work to bring regulations in-line with the new transportation options.

REGULATING ON-DEMAND TAXI SERVICES IN THE METRO REGION

Within the metro region, no city or town has yet developed explicit regulations for on-demand taxi services. However, two municipalities have started to work on this issue.

In 2012, the City of Cambridge investigated Uber and sued the company based on the fact that it uses a smartphone application to calculate the fare, rather than the approved taxi meters. The Massachusetts Division of Standards initially agreed with Cambridge on the basis that the device used to calculate fares must be certified by a national standard setting organization. However, that decision was reversed by the Division of Standards once Uber showed that it had begun the process of obtaining approval for its software application. Cambridge then filed suit in Middlesex Superior Court, but the Division's ruling was upheld. (*The City of Cambridge v. Gelaye et al*, MICV2012-03675, Mass. Superior Court, Filed Sept. 14, 2012)

The Town of Brookline is considering new regulations for its taxis that would create a new category of dispatch association. Any company providing "e-hail dispatch" services would be required to pay an annual fee of \$100 and to provide a list of taxis to which it provides services. Unlike Brookline's medallion fee, this would be a flat fee, rather than a fee per vehicle. The proposed regulations also stipulate that taxi companies operating in the Town cannot require that a driver utilize services such as those provided by Uber and other companies.

⁵ Powers, Martine. (2014, May 22) Taxi drivers say Uber threatens their livelihoods. *The Boston Globe*. Retrieved from www.bostonglobe.com

REGULATING ON-DEMAND TAXI SERVICES OUTSIDE OF THE METRO REGION

Across the country, on-demand taxi services are being met with differing levels of acceptance or rejection. Municipalities seem to generally accept the use of a smartphone application to hail a licensed taxi as being merely a new aspect of an existing industry. The unsuccessful attempt made by Cambridge to ban Uber based on its using this type of software to calculate the fare rather than a meter confirmed that this technological advance is one that is here to stay.

The new services being offered by UberX and Lyft have met a colder reception. These quasi-taxi services are billed as being a more economical option than a traditional taxi. On its website, UberX is billed as “The Low Cost Uber.” Taxi drivers feel that these services are not only unfair competition, but also unsafe competition. The drivers and cars that operate these services are not regulated in the same manner as traditional taxis.

The regulation of Uber Taxi and similar services has been less of an issue than that of UberX and Lyft. This could either be due to the fact that it seems to be more closely in line with the existing taxi industry, or due to its more limited roll-out: Uber Taxi is available in only six of the dozens of cities in the United States with some type of Uber service, including Boston.

When both Uber services were first introduced in California, the state Public Utilities Commission (PUC) claimed jurisdiction over their regulation. Last September, the PUC issued a 75-page document defining and regulating Transportation Network Companies (TNC’s). The document deliberately delineates between Uber Taxi and UberX. UberX is considered a TNC and based on that designation falls into the same category as charter-type vehicles for hire, requiring certain background checks and other steps be taken to ensure the safety of the public. Uber Taxi is separately identified as being a service that connects drivers to passengers. Given that drivers who use Uber Taxi are taxi drivers who drive for a company or are licensed individually to operate as taxis, they fall under pre-existing rules and regulations.

In a similar vein as California, the Colorado state legislature has recently passed legislation that would enable their PUC to regulate TNC's as Uber and Lyft. Unlike California, this action is being driven by the state legislature rather than by the Commission. Colorado's law, which is expected to be signed by the Governor, would explicitly authorize the PUC to regulate TNC's and require those companies to obtain a permit to operate from the Commission. The cost of the permit would be \$375 per driver per year. The legislation also includes regulatory requirements regarding the insurance to be carried by the company and its drivers, as well as the types of background checks and vehicle inspections that must be carried out and documented for an individual to be eligible as a driver.

Washington, DC has also made news as being a leader on the issue of regulation. In 2012, the DC Council passed the "Public Vehicle-For-Hire Innovation Amendment Act." The law created a new classification of vehicles within its for-hire structure – the "sedan" – that captures the types of services being offered by these companies. The DC regulations also create a single license for drivers that covers the various for-hire vehicle options available in DC, rather than requiring separate licenses for each type of service. However, given that DC's law was passed in 2012, it does not address the newer taxi-like or ride-share services being offered by UberX and Lyft. Additionally, new regulations have been proposed requiring payments to be made via systems that are integrated with the taxi's meter, which could potentially bring the operation of Uber Taxi in Washington, DC to a halt as its software does not meet this standard. The lesson from DC seems to be that this is an ongoing, evolving issue and that municipalities must be nimble in addressing it.

Like Washington, DC, Chicago has taken action at the municipal level to address this issue. The Chicago City Council passed the Transportation Network Provider ordinance on May 28, 2014. The ordinance creates two classes of TNC's. Class A companies are defined as having a company-wide driver average of less than 20 hours worked per week, and such companies will be required to pay a \$10,000 license fee to the City. Drivers for these companies would not need an additional driver's license and the City would need to approve the company's background check, driver training, vehicle inspection, and drug policies. Class B companies are defined as having a company-

wide driver average of more than 20 hours worked per week, and such companies will be required to pay a \$25,000 license fee to the City. Drivers for these companies will be required to obtain a public chauffeur's license, the City will conduct the background checks and drug tests, and all vehicles must pass a third-party inspection. The ordinance also seeks to address the issue of "surge pricing." Companies like Uber and Lyft use surge pricing to encourage drivers to be driving either at busier times or during inclement weather. The ordinance would require the companies to make these prices known publicly and also gives the City the power to cap surge pricing if complaints about the practice persist.

Elsewhere, cities are taking the step of requiring that these new, on-demand, taxi-like or ride-share services must follow the existing rules and regulations already in place for taxis. Detroit, Milwaukee, and Minneapolis/St. Paul have all gone this route.

While jurisdictions across the country are experimenting with different approaches to regulating newer forms of taxi service, it does seem that cities should actively consider actions that will provide a level playing field to companies, fairness to drivers, and safety and certainty to passengers.

FURTHER RESEARCH

Looking at the overall state of regulations surrounding Boston, municipalities seem to all take the same approach. Taxis seeking to operate in a city or town must be licensed to do so, with licenses required for both drivers and companies. Rates are set by local boards or commissions, and enforcement and inspection duties tend to fall to divisions within the police departments.

In Metro Boston, a consensus has not yet emerged regarding best practices to regulate smartphone transportation applications like Uber, Lyft, and Hailo – but other parts of the country have moved more aggressively to deal with some of the challenges created by these new services. Each option provided by these companies may require some amount of regulation particular to the specific service being offered, as well as some overarching regulation of the manner in which the rides are requested. Given the inter-municipal nature of these new services, further research could examine the potential of

a regional approach to regulation. With California and Colorado taking a statewide approach, and with the Division of Standards in Massachusetts somewhat involved in the process, researching the applicable state laws would also be worthwhile.

Included with this memo are the taxi rules and regulations from the surveyed municipalities, as well as a list of contacts in those municipalities.

MAPC is happy to partner with the City of Boston and other municipalities to conduct further research on this issue, to evaluate the effectiveness of systems adopted in other states, to convene interested parties from Metro Boston and the state, and to help design a regional approach to addressing these issues.

CONTACT INFORMATION ON TAXI RULES AND REGULATIONS

Brookline

- Todd Kirrane, Transportation Administrator
- Email: tkirrane@brooklinema.gov
- Phone: 617-730-2177

Cambridge

- Elizabeth Lint, Executive Director, Cambridge License Commission
- Email: License@cambridgema.gov; Hackney@cambridgema.gov
- Phone: 617-349-6140

Chelsea

- Debbie Clayman, City Clerk
- Email: dclayman@chelseama.gov
- Phone: 617-466-4050

Everett

- James Errickson, Executive Director of Planning and Community Development
- Email: Jamie.Erickson@ci.everett.ma.us
- Phone: 617-394-2245

Newton

- David Koses, Transportation Planning Coordinator
- Email: dkoses@newtonma.gov
- Phone: 617-796-1133

Quincy

- Joseph Shea, City Clerk
- Email: jshea@quincyma.gov
- Phone: 617-376-1131

Revere

- Sgt. Chris Giannino, Revere Police Department Traffic Division
- Phone: 781-284-1212 x60055

Somerville

- Sgt. John Gobiell, Unit Supervisor
- Phone: 617-625-1600 x7245