

The Boston Globe

The inconvenient truth about ride-sharing

By: Thomas Farragher | December 10, 2014

Here's a confounding labyrinth that would test the nerves and skills of the most seasoned navigator.

Let's say you're a young entrepreneur. You want to start your own business, so you remortgage your house, empty your savings, perhaps persuade your favorite brother-in-law to become your partner.

The barrier to enter the market is daunting and it's steep. The city of Boston regulates it and requires you buy a license for something north of \$500,000. Then it watches you like a mother hen. It preordains the rates you can charge. It dictates what your employees can wear. It even watches the precise size of the lettering you place on your equipment.

At long last, you succeed. Welcome to Boston's \$1 billion taxi industry.

But wait. What if a cool iPhone app comes along and begins to poach on your turf? It buys no license. It submits to no regulation. It stonewalls questions about business practices.

It becomes so cool — the latest bright-and-shiny object in the skies above our high-tech landscape — that even city councilors dreamily attest to its efficiency and economy all while acknowledging that it's, well, you know, against the law. How inconvenient.

That's what's happening in today's dysfunctional taxicab industry, where ride-sharing startups that allow customers to summon and pay drivers through smartphones have given new meaning to disruptive technology. And chutzpah.

During an unwieldy and inconclusive City Council marathon hearing last week, a representative of Uber — the new technology goliath now valued at a mind-blowing \$40 billion — merely shrugged when it was pointed out to her that the more affordable UberX service, which has no livery license, is operating in Boston outside the law.

Gee. Those regulations are so ancient, she said. And our technology is so new. Uber's message to city regulators seems: We don't need no stinkin' medallions.



Medallions are those half-million dollar taxi licenses, square pieces of tin that must be affixed to all of Boston's 1,825 cabs. And as Uber and other ride-sharing services, like Lyft, get stronger, those seemingly foolish enough to invest in a Boston taxi license are watching those investments steadily diminish.

"It's like the city has no control whatsoever. These companies cannot just create their own laws," said Chando Souffrant, who owns three medallions and has been driving cabs in Boston since 1997. He said his medallions have lost 20 percent of their value since the arrival of the high-tech interlopers.

Souffrant is a small-fry owner. I feel for him. But before anyone reaches for Kleenex to dry their tears for the large-scale medallion owners, let's consider what they've done to the taxi industry in Boston. These are the owners who — as a Globe Spotlight Team investigation found last year — routinely ignore the city's rules, gouge drivers, and propel a system plagued by corruption that has gone largely unchecked for years.

The day after that Spotlight report was published, then-Mayor Thomas M. Menino summoned me to his City Hall office, where he declared flatly: “We're not going to tolerate this nonsense.”

A milquetoast report was issued months later and a new taxi advisory panel — which includes representatives from startups like Uber — is now at work, considering how best to regulate the industry's newcomers.

While UberX continues to eat the lunch of licensed drivers and the advisory panel ponders, it's worth remembering that the real action to watch may not be at City Hall at all. Instead, look across the street to Suffolk Superior Court where a class-action lawsuit is pending.

Shannon Liss-Riordan, a Boston labor lawyer with a proven track record, says drivers for Uber as well as city taxis are misclassified as independent contractors, unfairly denying them benefits due as employees. “If we win, the whole system is going to change,” she said.

If Uber likes disruptions, it may love what happens if Liss-Riordan and her clients prevail. It would produce an economic mushroom cloud that obscures even bright-and-shiny objects like Uber.