

The Virgin Islands Consortium

As Uber Continues To See Rapid Growth, Taxi Medallion Price Plummets

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(New York Times) --In major cities throughout the United States, taxi medallion prices are tumbling as taxis face competition from car-service apps like Uber and Lyft.

The average price of an individual New York City taxi medallion fell to \$872,000 in October, down 17 percent from a peak reached in the spring of 2013, according to an analysis of sales data. Previous figures published by the city's Taxi and Limousine Commission — showing flat prices — appear to have been incorrect, and the commission removed them from its website after an inquiry from The New York Times.

In other big cities, medallion prices are also falling, often in conjunction with a sharp decline in sales volume. In Chicago, prices are down 17 percent. In Boston, they're down at least 20 percent, though it's hard to establish an exact market price because there have been only five trades since July. In Philadelphia, the taxi authority recently failed to sell any medallions at its asking price of \$475,000; it will try again, at \$350,000.

Photo



Larry Ionescu, center, who owns a fleet of taxis in Chicago, talking with two of his drivers, Mohamed Igal, left, and Adediran Adeosun. "I'm already at peace with the idea that I'm going to go bankrupt," he said. Credit Alyssa Schukar for The New York Times

Most major American cities have long used a system to limit the number of operating taxicabs, typically a medallion system: Drivers must own or rent a medallion to operate a taxi, and the city issues a fixed number of them. In New York, which established its medallion system in 1937, that number is 13,437. The number has risen only gradually since the late 1990s, even as the city's economy has boomed.

The turmoil in the medallion market has been obscured in part because publicly disclosed data about taxi medallion prices can be misleading. And the turmoil suggests that the taxi business, which has undergone little change over many decades, is now in the midst of a revolution.

"I'm already at peace with the idea that I'm going to go bankrupt," said Larry Ionescu, who owns 98 Chicago taxi medallions. That might be overly dramatic; after all, Mr. Ionescu also compared Chicago's pro-Uber mayor, Rahm Emanuel, to Nicolae Ceausescu, the reviled ex-dictator of his native Romania. It's likely Mr. Ionescu remains a very rich man. In November, Chicago medallion sale prices averaged \$298,000, well below the \$357,000 price that was typical this spring, but far up from the \$50,000 price of

a decade ago.

But it's easy to see why he's worried about the medium term: A seven-mile ride from the Loop to the University of Chicago in a medallion taxi costs about \$26, including tip. The same trip cost \$12.29 this April with UberX, the lowest-cost service option from Uber.

The crucial question for medallion owners like Mr. Ionescu is, if Uber is that much cheaper than a taxi, why would anyone take a taxi, and therefore why would any driver pay to lease a medallion? Mr. Ionescu says his revenues are down around 25 percent, and he's having trouble leasing out his whole fleet.

Official data on medallion prices can be misleading for two main reasons: simple inaccuracy — as in New York, where officials excluded most sales from their calculations — or the very small number of sales. In Chicago, for example, there have been only 11 medallion sales since July 1, compared with 147 during the same period last year. Just because somebody sold a medallion for \$300,000 doesn't mean it will be consistently possible to sell at that price into a thin market.

"Those are fake prices," said Mohammad Kamran, a medallion broker in Chicago, who blames UberX. "The price has plunged big time, and there are no buyers or sellers because the lenders are not lending money."

Mr. Kamran said owners are increasingly unable to charge Chicago's maximum weekly lease rate for medallion taxis, which is around \$780, including taxes and insurance, for a late-model Toyota Prius. Drivers have been bargaining that rate down to \$700 or \$725, he says; others are defecting to services like Uber.

In Boston, the story is similar. As recently as April, Boston taxi medallions were selling for \$700,000. The last sale, in October, was for \$561,000.

"Right now Uber has a strong presence here in Boston, and that's having a dramatic impact on the taxi industry and the medallion values," said Donna Blythe-Shaw, a spokeswoman for the Boston Taxi Drivers' Association. "We hear that there's a couple of medallion owners that have offered to sell at 425 and nobody's touched them."

Not long ago, with demand for taxis rising and the supply fixed, medallions soared in value: A medallion that could be bought for \$250,000 in New York a decade ago (or about \$315,000 in inflation-adjusted dollars) was worth over \$1 million last year.

Medallion sales volume has often fluctuated in New York, but right now it is at a low point. There was only one medallion sale in September, followed by nine in October. Ominously, five of the 10 sales in those two months were foreclosure sales. New York's taxi market had generally been thought less vulnerable because of the importance of street hails, which Uber can't do, and because New York requires Uber drivers to be licensed by the T.L.C. and drive vehicles with livery plates and commercial insurance.

Yellow taxis in New York also face competition from new green "boro taxis," which may pick up fares only in the boroughs outside Manhattan and in northern Manhattan. That program has been in the works for three years, including during a period when medallion prices were still rising. The vast majority of yellow cab pickups occur in Manhattan below

110th Street or at airports, where yellow cabs face competition from Uber but not from green cabs. Still, the green cab program has faced strong opposition from yellow cab medallion owners, and the start of falling medallion prices coincides with a June 2013 court ruling upholding the green cab program.

The trouble in New York's market was also partly obscured by a flaw in the average price reports that were published monthly by the city's taxi commission until September. Those reports erroneously said average prices for individual medallions had stayed largely the same since setting a record of \$1.05 million in June 2013.

In fact, individual medallions have traded below \$1 million for most of the last year. But the commission excludes from its statistics any transaction at a price more than \$10,000 below the previous month's reported average.

The commission does so in the name of excluding sales that do not occur at an arm's length — say, between two relatives. When prices are flat or rising, as they generally have been for decades, the methodology can produce a reasonably accurate result. But when prices are falling, the commission's method is guaranteed to mischaracterize the market.

A spokesman for the T.L.C. pointed to disclaimer language saying its average price reports "may be misleading and may not accurately convey trends in medallion prices, among other things."