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MEMORANDUM

TO: San Francisco Taxi Industry Members and Interested Parties

THROUGH: Jeffrey Tumlin 
Director of Transportation

FROM: Kate Toran 
Director of Taxis, Access & Mobility Services Division

DATE: August 5, 2022

SUBJECT: Taxi Upfront Fare Pilot Program

This memorandum establishes the Taxi Upfront Pricing Pilot (Pilot), including goals, metrics, program rules and requirements, and application process.

Introduction

In [September 2021](#), the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors (Board) authorized the Director of Transportation to create a one-year Upfront Fare Pilot Program (Pilot) to allow taxi E-Hail¹ application (Taxi E-Hail App) providers to offer taxi customers the ability to book a taxi trip through the Taxi E-Hail App and pay a flat rate upfront fare, instead of paying the Taximeter amount at the end of the trip. Under the Pilot, the upfront fare offered to taxi customers through a Taxi E-Hail App must be based on the estimated Taximeter amount and is intended to closely match the cost to the customer of a fare based on the Taximeter rate.

The Pilot allows taxi customers the option of choosing the upfront fare through the Taxi E-Hail App or they may choose to request a cab through traditional phone dispatch or street hail and simply pay for the trip based on the Taximeter amount. Allowing the taxi industry to provide customers with an upfront fare is intended to eliminate the price uncertainty and “meter anxiety” that some riders may now experience, and to allow the taxi industry to evolve and offer services in line with current trends in the for-hire transportation industry.

¹ Any capitalized terms that are not otherwise defined herein shall have the meaning ascribed in Article 1100 of the San Francisco Transportation Code.



Subsequent to SFMTA Board approval in September 2021, during the development of the initial Pilot program rules, key taxi industry stakeholders requested that the SFMTA allow Taxi E-Hail Apps to dispatch trips that originate with third-party entities (e.g. entities that do not receive permits issued by the SFMTA), which may offer upfront fares that are not based on Taximeter rates. This requested expansion of the Pilot program required an amendment to the Transportation Code, which was approved by the SFMTA Board in [April 2022](#).

Therefore, the Upfront Fare Pilot allows two types of trips:

1. **Taxi Pilot Trips** have the following characteristics:
 - originates with a customer ride request through a Taxi E-Hail App
 - dispatched by a Taxi E-Hail App
 - provided by a permitted San Francisco taxi driver in a permitted SF taxi vehicle
 - upfront fare is based on the estimated Taximeter amount
2. **Third-Party Pilot Trips** have the following characteristics:
 - originates with a customer ride request through a third-party entity (Third-Party Provider)
 - transferred to a Taxi E-Hail App
 - dispatched by a Taxi E-Hail App
 - provided by a permitted San Francisco taxi driver in a permitted SF taxi vehicle
 - upfront fare is **not** required to be based on the estimated Taximeter amount

Third-Party Pilot Trips are considered to be taxi trips by the SFMTA because they will be delivered in San Francisco-regulated taxi vehicles by permitted San Francisco taxi drivers, and all state and local taxis regulations are applicable. All permitted San Francisco taxi drivers are required to have a fingerprint background check and no additional background check is required to serve Third-Party Pilot Trips.

Background

Taxi fares are regulated by the SFMTA and are adjusted by the SFMTA Board periodically. Customers and drivers can negotiate fares below the Taximeter rate, although most taxi trips are simply based on the Taximeter rate. Additionally, where two or more passengers are taking a trip whose origin or destination are different, and who are sharing the taxi for a portion of their combined trips a driver may charge a flat rate of up to \$20 per person instead of charging the metered rate. The flat rate may only be charged with the advance consent of all affected customers.



The current fare structure is as follows:

Taxi Service	Fare Amount
First one-fifth mile of flag rate	\$3.50
Each additional one-fifth mile or fraction thereof	\$0.55
Each minute of waiting or traffic time delay	\$0.55
SFO pick-up fee	\$5.50 ²
Bridge Tolls	Varies, paid by passenger

The original intent of the metered fare system was to provide price certainty and protection to customers. The SFMTA and other taxi regulators around the world implemented the meter fare system to ensure a functioning taxi market in which customers and drivers had certainty that the fare would be transparent and equally applied to all customers. Although the fees are standardized, posted in every cab, and on SFMTA’s website, as the Taximeter clicks up incrementally during the trip, riders may experience “meter anxiety” watching the fare increase based on time and distance. Additionally, some passengers may be confused about the additional fees that may apply to certain trips, such as fees for exiting the airport, fees for traveling long distances, and bridge tolls.

In the last decade, the emergence of Transportation Network Companies (TNCs), such as Uber and Lyft, upended customer expectations regarding trip pricing and certainty for on-demand trips. TNCs are regulated by the California Public Utilities Commission, which preempts nearly all local regulation of TNCs in California. TNCs allow customers to input their trip origin and destination into a mobile application and in return, customers are given an upfront price for the trip, estimated time until pick up, estimated time of arrival to the rider’s destination, and a live location of the vehicle.

Pursuant to the San Francisco Transportation Code, all SFMTA permitted taxi Dispatch Services are required to affiliate with at least one SFMTA-approved Taxi E-Hail App. The Taxi E-Hail requirements were originally promulgated in 2015 to establish criteria and performance standards for compliance. The SFMTA updated its Taxi E-Hail [requirements](#) in mid-2021 to require functionality that customers have come to expect. The updated E-Hail criteria include a requirement for approved Taxi E-Hail Apps to allow customers to input a pick-up and drop-off

² For taxicab trips originating at San Francisco International Airport that incur an airport trip fee, the taxicab driver may collect 100% of that trip fee from the passenger.



location. In return, Taxi E-Hail Apps are required to provide customers with an estimated trip time and fare, based on the meter rate. Although Taxi E-Hail Apps are required to provide a trip fare estimate, a customer is not currently able to lock in that fare prior to taking the trip. The Pilot will allow this additional functionality by authorizing Taxi E-Hail Apps to offer customers Taxi Pilot Trips and it to offer customers Third-Party Pilot Trips.

Pilot Goals and Metrics

Goals: Desired Outcomes

The SFMTA has identified six main goals for the Upfront Fare Pilot to guide implementation and craft metrics to determine the ultimate success of the Pilot. These goals are as follows:

1. Improve taxi customer service by:
 - Offering upfront fare estimates and booking through the Taxi E-Hail App
 - Relieving meter anxiety for customers by providing price certainty for taxi trips
 - Allowing customers the ability to price shop for similar on-demand services
2. Increase taxi trips, which have experienced significant decline since the rise of TNCs in San Francisco, and more recently during the pandemic, which further decimated the taxi industry, reducing trip volumes by 70% on average.
3. Increase taxi drivers' fare income
4. Increase the number of permitted taxi drivers currently offering service to the public
5. Maintain a consistent level of service for traditional taxi trips, including Paratransit taxi trips, while allowing Third-Party Pilot Trips
6. Ensure that Taxi Pilot Trip fares closely match the Taximeter rates

Metrics: Measuring Success

During the Pilot, the SFMTA will collect and monitor the Pilot data, including data from Taxi Pilot Trips and Third-Party Pilot Trips, driver fare income, and other relevant data to help measure the success of the Pilot in meeting the stated goals. Staff may also use the data to identify areas of concern, assess participant compliance, and may use data as a basis to update program rules. Some metrics do not have a specific numeric target, but simply describe the data that will be collected. This is due to the fact that the Pilot is novel, and there may be multiple variables associated with the enumerated metric. Because of the open-ended nature of some of the metrics, staff will provide quarterly reports on all metrics to transparently share relevant data. Metric targets may be updated during the Pilot term, depending on key stakeholder feedback and staff assessment.



Increase E-Hail App Trips by 10%

The SFMTA will monitor the number of Taxi Pilot Trips as a measure of satisfaction with the program by taxi customers and drivers. Taxi Pilot Trips will be compared to Taxi E-Hail App trips provided prior to Pilot launch. An increase will signal that drivers and customers are opting in and that the Pilot is successful.

Staff will also track the total number of Taxi Pilot Trips as compared to the total number of Third-Party Pilot Trips in order to assess customer interest in Third-Party Pilot Trips.

Increase Taxi Driver Income by 10%

The SFMTA will track overall Taxi Driver fare income during Pilot and compare it to baseline fare income during the six-month period preceding the Pilot launch. SFMTA staff will also separately track fare income for Taxi Pilot Trips and Third-Party Pilot Trips.

Increase in the Number of Drivers

The SFMTA will track the number of taxi drivers, assessing for an increase in the total driver pool. As the agency anticipates an increasing number of trips after the launch of this Pilot, the number of drivers willing to serve trips should inform how successful the new pricing system is with drivers. Additionally, if more trips are being served there will need to be an increased number of drivers to serve these trips. While increasing the number of drivers may be positively impacted by the new opportunities to increase driver revenue, there are national labor issues as a result of the ongoing pandemic and other factors outside of the SFMTA's sphere of influence, that may contribute to minimizing potential increases in the driver pool. Therefore, we have not placed a target for this metric, but will track the change in the number of drivers during the Pilot.

Complaints

The SFMTA will track the number of complaints by taxi drivers and customers regarding upfront fare trips. Staff will break out the number of complaints for Taxi Pilot Trips and Third-Party Pilot Trips. Staff will also track the total number of complaints before Pilot launch to the number of complaints during the Pilot term.

Impact on Traditional Taxi Trips

The SFMTA will assess the impacts, if any, of Third-Party Pilot Trips on traditional taxi trips, including street hails, phone dispatch and paratransit taxi trips. Trips counts, fares by hail type (including Paratransit taxi), and complaints will be used for this assessment, and SFMTA will pay particular attention to complaints about response times.



Comparison of Meter Rates

During the Pilot the SFMTA will assess how closely the Taxi Pilot Trip fares match what the Taximeter rate would have been for those trips. On average, Taxi Pilot Trip fares should be within 10% of the Taximeter rates.

Although Third-Party Pilot Trips are not required to adhere to Taximeter rates, SFMTA will track how those fares compare to Taximeter rates, on average, for informational purposes.

SFMTA will collect the final upfront fare charged to the customer for both Taxi Pilot Trips and Third-Party Pilot Trip fare data in order to conduct this comparison for both trip types.

Outstanding Questions

Because the Pilot will allow a novel approach to taxi fares, there are many outstanding questions and issues that SFMTA staff will assess during the Pilot, such as:

- how to allow paratransit customers to use their paratransit debit card as a payment method on the Taxi E-Hail Apps to book upfront fares;
- concerns from taxi drivers that their earnings are significantly different under the new pricing system;
- how to handle changes in destination after the trip has begun for Taxi Pilot Trips;
- requests for shared or pooled rides, with separate customer payments and/or destinations; and
- how San Francisco International Airport (SFO) trip fees will be structured long term for trips that originate with a Third-Party Participant that holds a permit at SFO (such as a TNC).

During the Pilot, staff will work to understand these topics and the program rules may be adjusted during the Pilot term, if necessary.

Quarterly Meetings with the Taxi Industry

Staff will evaluate the status of the Pilot program during its one-year time frame and will hold quarterly outreach meetings with the taxi industry during the Pilot to solicit feedback. The taxi industry generally has expressed strong support for the Pilot, particularly for Taxi Pilot Trips, but SFMTA staff has received mixed feedback from key stakeholders regarding Third-Party Pilot Trips, with some strongly in support and some strongly opposed. To address the opposition to Third-Party Pilot Trips, SFMTA established a requirement that taxi drivers must have an option to opt out of providing those trips and they cannot be penalized for doing so.



As noted above, there are many outstanding questions about the Pilot because it will allow a new approach to taxi fares for both the Taxi Pilot Trips and the Third-Party Pilot Trips. Therefore, it is important for SFMTA staff to hold open, quarterly meetings for stakeholders to provide ongoing feedback during Pilot implementation. As noted above, Pilot rules may be adjusted, as needed, to address unanticipated negative outcomes. Should the SFMTA make rule changes during the term of the Pilot, SFMTA will provide no less than 15 calendar days' notice.

Program Rules

Participation in the Upfront Fare Pilot is optional for Taxi Color Schemes, Dispatch Services, and Taxi E-Hail Apps. However, if a Taxi E-Hail App applies to participate in the Pilot, all affiliated Dispatch Services and Color Schemes must participate and agree to comply with the terms of the Pilot. The SFMTA requires these entities (i.e., Taxi E-Hail App, and affiliated Dispatch Service and Color Schemes) to agree to participate collectively so that all rides hailed from a particular Taxi E-Hail App offer the same customer service and functionality.

All Pilot applications are subject to the approval of the SFMTA.

Application Requirements

1. An application to participate in the Upfront Fare Pilot must be submitted jointly by Taxi E-Hail App provider and any affiliated Dispatch Service.
2. The Taxi E-Hail App must be SFMTA-approved.
3. All affiliated Dispatch Services and Color Scheme Permit Holders must be in good standing with the SFMTA to be considered eligible for Pilot participation.
4. Applicants must demonstrate their ability to comply with SFMTA's data and transmission requirements for Taxi Pilot Trips and Third-Party Pilot Trips. Data requirements for both Taxi Pilot Trips and Third-Party Trips are enumerated in the taxi API specifications. Transmission specifications for Taxi Pilot Trips are also included in the taxi API. Transmission requirements for Third-Party Trips are enumerated in Rule #22 below.
5. Taxi E-Hail App must demonstrate that taxi drivers have the ability to opt out of servicing Third-Party Pilot Trips on a universal or per-trip basis.
6. If the Taxi E-Hail App elects to provide a per-trip opt-out option for Third-Party Pilot Trips, Taxi E-Hail App must demonstrate that drivers will be notified if the trip being dispatched is a Third-Party Pilot Trip.



Pilot Participation Requirements

7. All participating Taxi E-Hail Apps, Dispatch Services and Color Schemes shall maintain compliance with all applicable state and local rules and regulations regarding taxis, including Article 1100 of the Transportation Code during the Pilot term.
8. Third-Party Participants must maintain compliance with all applicable Pilot rules.
9. Notwithstanding the upfront fare charged to the customer, the Taxi E-Hail App shall calculate the Taximeter fare for each Taxi Pilot Trip and Third-Party Pilot Trip and shall transmit that information to the SFMTA.
10. For Taxi Pilot Trips and Third-Party Dispatch Trips, the only fare displayed on the Taximeter shall be the upfront fare that was accepted by the passenger.
11. The payment to the driver for each Taxi Pilot Trip and Third-Party Pilot Trip shall be based on the fare charged to the passenger.
12. Taxi Pilot Trip fares shall be consistent with Transportation Code 1124(b)(3) (“meter and a half”), where applicable for out-of-town trips.
13. All Taxi Pilot Trips and Third-Party Pilot Trips shall comply with all applicable state and local rules and regulations regarding taxis, including Article 1100 of the Transportation Code.
14. Taxi drivers must have the ability to opt out of servicing Third-Party Pilot Trips on a universal or per-trip basis.
15. If the Taxi E-Hail App opts to provide a per-trip opt-out option for Third-Party Pilot Trips, taxi drivers must be notified if the trip being dispatched is a Third-Party Pilot Trip.
16. Taxi drivers that choose not to service Third-Party Pilot Trips shall not be penalized.
17. Third-Party Pilot Trips shall not originate at SFO during the Pilot.
18. Third-Party Pilot Trips are eligible to service drop-offs at SFO pursuant to the following requirements: Taxi E-Hail App providers must maintain good standing with all SFMTA data requirements. Aside from Taxi E-Hail App providers, only Third-Party Participants with permits to operate at SFO can originate Third-Party Pilot Trips under the Pilot. Based on the data provided to the SFMTA through the Pilot, SFO will track Third-Party Pilot Trips with a drop-off destination at SFO on a monthly basis. If the total number of Third-Party Pilot Trips from a particular Third-Party Participant with a drop-off destination at SFO exceeds 5% of the total number of drop-off trips provided by that Third-Party Participant for any given month, SFO may direct that Third-Party Participant with a permit to operate at SFO to cease drop-offs at SFO with fifteen calendar days written notice. SFMTA, in consultation with SFO, reserves the right to adjust this program rule as needed with 30 calendar days written notice.
19. Taxi E-Hail App providers shall be responsible for adherence to Pilot rules by their Third-Party partners.
20. Taxi E-Hail App providers must notify SFMTA if they add affiliated Dispatch Service and/or Color Schemes during the Pilot term and shall submit proof that the new affiliate agrees to participate in the Pilot.



Data Requirements

Pilot data is collected through the SFMTA's [Taxi Application Programming Interfaces Specification](#) (APIs), which have been updated to allow for the collection of new data fields, including an upfront fare. New data fields in the updated Taxi API specifications, version 3.2, will allow the SFMTA to better track the source and type of taxi hail, the upfront fare, and what the meter fare would have been if the trip had been provided using the Taximeter. The SFMTA will use this data as a primary source of information in assessing the success of the Pilot. During the Pilot, SFMTA's Taxi API specifications may be updated, from time to time.

21. During the course of the Pilot, participating Taxi E-Hail Apps must continue to send required trip data, as specified in the taxi API, to SFMTA in an accurate and timely manner in order to remain eligible to participate in the Pilot.
22. Taxi E-Hail Apps shall transmit all required data for Third-Party Pilot Trips into the SFMTA Taxi APIs within 30 calendar days of commencing taxi service under the Pilot and subsequently shall transmit such data on the first and third Monday of each month.
23. As specified in the taxi API, fare data provided pursuant to the Pilot shall include the final upfront fare charged to the customer for both Taxi Pilot Trips and Third-Party Pilot Trips.
24. Where the final fare paid by the customer differs from the quoted fare provided by the Third-Party Participant ("Fallback Fare"), Taxi E-Hail Apps must provide SFMTA the frequency of such Fallback Fares along with the reason(s) for such difference, on a monthly basis, no later than the 15th day of each month. Circumstances where a Fallback Fare may occur include, but are not limited to:
 - drop-off address change;
 - pickup address change;
 - significant detours;
 - adding stops to the route; or
 - passing through tolls that were not factored into upfront fare.

Taxi Driver Fees

25. Taxi E-Hail Apps shall provide the SFMTA the schedule of fees that will be charged to taxi drivers, including fees for Taxi Pilot Trips and, if applicable, Third-Party Pilot Trips.
26. If the taxi driver fees for Taxi Pilot Trips are changed during the Pilot term, the E-Hail App shall provide written notice to the SFMTA no less than 7 calendar days prior to the change being implemented.



Failure to Comply

Failure of a Taxi E-Hail App and/or its affiliated Dispatch Service, Color Schemes or Third-Party Participant to comply with any of the Pilot rules after initial approval will result in a written notice from SFMTA to cure such non-compliance (Notice of Non-Compliance). The Notice of Non-Compliance will identify the rule(s) the Taxi E-Hail App and/or its related Dispatch, Third-Party Participant or Color Scheme(s) have violated. The Notice of Non-Compliance will also include the timeframe to cure the documented instances of non-compliance.

Failure to cure violations noted in a Notice of Non-Compliance may result in fine(s), if the violation constitutes a violation of the San Francisco Transportation Code, and/or suspension or termination of Pilot participation.

SF Paratransit

Taxi E-Hail App providers are not required to offer Paratransit taxi trips as part of the Pilot, although some Taxi E-Hail Apps may choose to offer this functionality only for Taxi Pilot Trips. Paratransit taxi integration for Third-Party Pilot Trips is not allowable under the Pilot rules set forth in this memo, although this is a topic that will be discussed further during the course of the Pilot. The SFMTA will work with its Paratransit broker and the disability community to understand how the Pilot may impact paratransit riders and trip costs. For Taxi E-Hail Apps participating in the Pilot that do provide Paratransit functionality for Taxi Pilot Trips, qualitative information will be tracked to determine how well the Pilot works and any effects the Pilot has on Paratransit customers. Staff will monitor that all trip data is correctly flowing through the SF Paratransit Debit Card Central System ("DCCS"). Staff will also track the costs of Paratransit taxi trips, analyzing any potential unanticipated increases.

Approval Process

Applications must be submitted to the SFMTA no later than September 15, 2022 and must be submitted via email to SFTaxi@sfmta.com on forms provided in [Appendix A: Taxi Pilot Trips Application Form](#) and [Appendix B: Third-Party Pilot Trips Application Form](#). The SFMTA will review each application and provide a written determination to each applicant, based on the applicant's ability to comply with the Pilot requirements.

There is a separate application and approval process for Taxi Pilot Trips and Third-Party Pilot Trips. An applicant must be SFMTA-approved for Taxi Pilot Trips in order to be considered for approval for Third-Party Pilot Trips. Staff will review each application for completeness and responsiveness in the evaluation process and will provide written determination as to whether an applicant has demonstrated an ability to comply with the Pilot rules. SFMTA staff may request additional information or clarification of information already provided from applicants and provide an applicant the opportunity to revise or modify its application.