

Modernizing the Nevada Taxicab Industry

Best Practices, Lessons Learned, and Consumer Satisfaction in the Digital Age

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White Paper: Modernizing the Taxi Industry

Best Practices, Lessons Learned, and Consumer Satisfaction in the Digital Age

1. Executive Summary

The rapid rise of Transportation Network Companies (TNCs) necessitated a shift from rigid, analog taxi regulations to flexible, technology-forward frameworks. This paper analyzes how SFMTA and LADOT transitioned their fleets to stay competitive, focusing on **Upfront Pricing**, **Soft Metering**, and the strategic integration of **Third-Party (3P) TNC trips**.

2. Best Practices in Modern Regulation

A. Price Certainty via Upfront Fares (SFMTA)

One of the primary "pain points" for taxi passengers was "meter anxiety"; the fear of unknown costs due to traffic or route choice. SFMTA's **Upfront Fare Program** addressed this by allowing:

- **Predictability:** Passengers receive a binding quote via E-Hail apps (e.g., Flywheel, Curb) before the trip begins.
- **Dynamic Integration:** Allowing third-party platforms (like Uber) to dispatch to taxis, increasing driver revenue while maintaining taxi-specific safety standards.

B. Digital Infrastructure and Soft Meters (LADOT)

LADOT moved away from traditional, expensive hardware meters toward **Soft Meters**.

- **Cloud-Based Calculation:** Using GPS and OBD (On-Board Diagnostics) to calculate fares, reducing the cost of vehicle outfitting and maintenance.
- **Mobility Data Specification (MDS):** LADOT pioneered MDS, an open-source tool that allows the city to receive real-time data on trips, ensuring equitable service and enabling data-driven policy adjustments.

3. The 3P Integration Advantage: Demand-Based Pricing

A cornerstone of successful 3P integration is the departure from the traditional rigid taxi tariff for app-originated rides. Under these regulations, when a taxi fulfills a TNC request, the fare is **demand-based** (dynamic pricing) rather than based on the municipal meter.

Why Demand-Based Fares are Beneficial for All Parties

For the Taxi Industry (Drivers & Fleets)

- **Maximizing Utilization:** Taxis often suffer from "deadhead" miles (driving empty). 3P integration allows drivers to toggle between traditional hails and digital pings, ensuring the vehicle earns revenue for a higher percentage of the shift.
- **Access to Market Surges:** During high-demand events (stadium games, holidays), demand-based payouts often exceed the fixed meter rate, fairly compensating drivers for navigating heavy congestion.
- **Operational Control:** Drivers retain the "Power of Choice." They can accept a high-demand 3P trip when street hailing is slow, or ignore it to focus on traditional airport queues.

For the Consumer

- **Reduced Wait Times:** In urban centers, a taxi is often the closest available vehicle. By including taxis in the TNC pool, passengers see lower ETAs and higher fulfillment rates.
- **Price Parity & Transparency:** The consumer pays the same price shown in their app regardless of whether a TNC vehicle or a professional taxi arrives. There are no "hidden" meter surprises.
- **Professional Reliability:** Consumers receive the convenience of an app with the added security of a commercially insured vehicle and a driver who has met rigorous municipal background standards.

For the Regulator & City

- **Reduced Congestion:** By reducing "deadhead" miles, cities see less unnecessary traffic.
- **Industry Sustainability:** Shifting to demand-based pricing for 3P trips creates a more resilient taxi industry that can compete with modern tech platforms without requiring municipal subsidies.

4. Lessons Learned: Data is the Foundation

SFMTA and LADOT discovered that transitioning to tech-based rides requires rigorous data validation.

- **Automated Oversight:** Regulators must establish automated validation to distinguish "Upfront" or "3P" trips from traditional "Street Hails" to ensure accurate reporting and fee collection.
- **Real-Time Monitoring:** Successful programs utilize real-time data sharing to monitor how these technology applications affect passenger rates and service equity over time.

5. Conclusion

The success of SFMTA and LADOT proves that the most effective way to modernize the taxi industry is to embrace **demand-based pricing for digital trips**. This "dual-engine" model—preserving the meter for street hails while allowing dynamic pricing for app-based trips—creates a win-win-win scenario for drivers, consumers, and the city.

White Paper Supplement: The 3P Integration Advantage

Synergizing Taxi Reliability with TNC Network Effects

1. The Strategic Shift: Demand-Based Pricing for 3P Trips

A cornerstone of successful 3P integration is the departure from the traditional rigid taxi tariff for app-originated rides. Under these regulations, when a taxi fulfills a TNC request:

- **The Fare is Demand-Based:** The price is set by the TNC's algorithm (dynamic pricing) rather than the municipal meter.
- **Price Parity:** The consumer pays the same price regardless of whether a private TNC vehicle or a professional taxi arrives.
- **Revenue Guarantee:** The driver is offered a "payout" amount prior to acceptance, allowing for informed business decisions.

2. Advantages for the Taxi Industry

A. Maximizing Vehicle Utilization

The greatest "cost" to a taxi driver is "deadhead" time; miles driven without a passenger. 3P integrations bridge the gap between street hails:

- **Reduced Idle Time:** Drivers can toggle between traditional hails and 3P digital pings, ensuring the vehicle is earning revenue for a higher percentage of the shift.
- **Expanded Service Area:** TNC apps often generate demand in residential or "low-hail" zones where taxis traditionally wouldn't cruise, effectively expanding the taxi's "territory" without increasing fuel waste.

B. Enhanced Driver Earnings during Peak Demand

By participating in demand-based pricing, taxi drivers finally benefit from "market surges":

- **Fair Compensation for Traffic:** During high-traffic events (e.g., stadium games or holiday peaks), the TNC payout often exceeds what a fixed meter would yield, compensating the driver for the extra time spent in congestion.
- **Optionality:** Drivers retain the right to ignore a 3P ping if they prefer to hold out for a high-value street hail or airport pickup, giving them ultimate control over their "digital storefront."

3. Advantages for the Consumer

A. Faster Response Times & Increased Reliability

The primary consumer benefit is "Total Fleet Availability." By adding taxis to the TNC pool:

- **Lower ETAs:** In dense urban centers like SF and LA, taxis are often closer to the passenger than a private TNC driver. 3P integration reduces wait times by increasing the supply of available cars.
- **Professional Standards:** Consumers get the speed of an app-based request with the added benefit of a commercially insured vehicle and a driver who has undergone municipal background checks.

B. Price Stability through Supply

Ironically, adding taxis to the TNC pool can help *lower* surge pricing for consumers.

- **Supply vs. Demand:** Surge pricing is a result of limited supply. By injecting hundreds of taxis into the TNC marketplace during peak hours, the algorithm detects higher supply, which can help stabilize prices and end "surges" faster.

4. Why This is "Good for All Parties" (The Win-Win-Win)

| Party | The Core Benefit |
|---------------------------|---|
| Taxi Drivers | Access to a massive, global "demand engine" without giving up their right to take street hails or airport trips. |
| TNC Platforms | Increased fulfillment rates and access to professional, high-capacity drivers who are legally allowed to use taxi lanes. |
| Consumers | Shorter wait times, predictable app-based pricing, and the choice of a professional driver. |
| The City/Regulator | Reduced congestion from "deadhead" miles and a more sustainable, profitable taxi industry that requires less municipal subsidy. |

Conclusion

Moving away from a "one-size-fits-all" tariff for digital trips is not a threat to the taxi industry; it is its salvation. By allowing taxis to operate on **demand-based pricing** for 3P trips, regulators like SFMTA and LADOT have created a more resilient transportation network that respects market dynamics while preserving the professional standards of the taxi trade.
