

## **Legislative Council Panel on Transport**

### **New Territories Taxi Fare Concession Application**

#### **PURPOSE**

This paper briefs Members on the application made by the New Territories (“NT”) taxi trade to offer fare concession for six months.

#### **FARE POLICY**

2. Taxi fare revision applications are considered in accordance with the following guiding principles:

- (a) the need to ensure the financial viability of taxi operations, taking into consideration changes in revenue and operating costs;
- (b) the need to maintain an acceptable level of taxi services in terms of taxi availability, passenger waiting time and feedback from passengers;
- (c) the need to maintain a reasonable differential between taxi fares and those of other public transport modes; and
- (d) the likely public acceptability of the proposed fares.

#### **APPLICATION FROM THE TRADE**

3. Since 1998, the business of NT taxis has declined as a result of the economic downturn. This declining trend is accelerated recently by the outbreak of Severe Acute Respiratory Syndrome. With a view to improving the competitiveness of NT taxi services, the NT taxi trade, as represented by 10 NT taxi associations which are registered members of the Conference on New Territories Taxi Operations of Transport Department (“TD”), has recently

A submitted an application for offering temporary fare concession for a temporary period of 6 months. A summary of the application is at **Annex A**.

## **FINANCIAL POSITION OF THE NEW TERRITORIES TAXI TRADE**

### ***Operating Costs***

4. Based on TD's annual surveys, it is estimated that the operating costs of NT taxis have declined by about 21% since 2000 as a result of the conversion into liquefied petroleum gas operation.

### ***Income***

B 5. According to TD's annual surveys, the estimated average monthly net income of the three groups of NT taxi operators (which can be broadly categorized into rentor-owners, rentee-drivers and owner-drivers) has been dropping in the past 2 years. A diagram showing the changes of the average monthly net income is at **Annex B**.

## **POSSIBLE IMPACTS OF THE PROPOSAL ON THE TRADE**

6. The NT taxi fare reduction is a self-initiated move by the NT taxi trade. NT taxis mainly play a role in providing short distance feeder services between residential developments / housing estates and major railway stations / public transport interchanges in the NT. According to TD's survey, the average fare per NT taxi trip including waiting time charge is \$23.3. Under the proposal, this average fare per NT taxi trip will be reduced by about 2.6% to \$22.7. On this basis, even if there is no additional business generated after the offer of fare concession, the financial position of NT taxi operators is not expected to be significantly affected.

C 7. The proposed concession may offer incentives to passengers to make more frequent use of NT taxi services, in particular, long haul taxi trips because they may enjoy a fare discount of over 20%. A table of the rates of fare concession under different journey distance is at **Annex C** for illustrative

purpose.

## **FARE DIFFERENTIAL**

8. As described above, the proposal will not cause significant impact on the average fare per trip and will basically maintain the existing fare differential between NT taxis and other public transport modes. From the traffic management angle, it is desirable that a fare differential is maintained to promote the use of mass carriers like franchised buses and rails which are more efficient users of road space.

## **THE TRADE'S REACTION**

9. The NT taxi trade generally supports the fare concession. The taxi trade leaders are fully aware of the possible negative impacts on the monthly net income of NT taxi operators (including drivers) as a result of the fare concession. They are prepared to accept and bear these negative impacts for a maximum period of 6 months in order to see if fare concession would help attract more passengers to use NT taxis.

10. TD has received a few complaints objecting to the fare concession scheme since the proposal was widely reported in the press and media several days ago. It is anticipated that some individual NT taxi drivers may remain unsupportive of the fare concession as they believe that the offer of concession might have adverse impacts on their income no matter how insignificant the impact would be. However, there is no objection received from NT taxi trade associations or workers' unions on the fare concession scheme.

## **PUBLIC REACTION**

11. It is anticipated that the public will generally welcome and support the fare concession for a temporary period of 6 months.

## **IMPLEMENTATION**

12. Based on the above assessment, we intend to seek approval from the Chief Executive-in-Council for the implementation of NT taxi trade's proposed temporary fare concession. This will require legislative amendment, which is subject to negative vetting by the Legislative Council. Since the proposed fare concession is supported by all major NT taxi associations and it is the request of the trade and expectation of the public for early implementation, we are taking every step to expedite actions to implement the proposed fare concession hopefully by mid June. Subject to Members' comments, we plan to effect the temporary reduction immediately after gazettal without waiting for the completion of the negative vetting period.

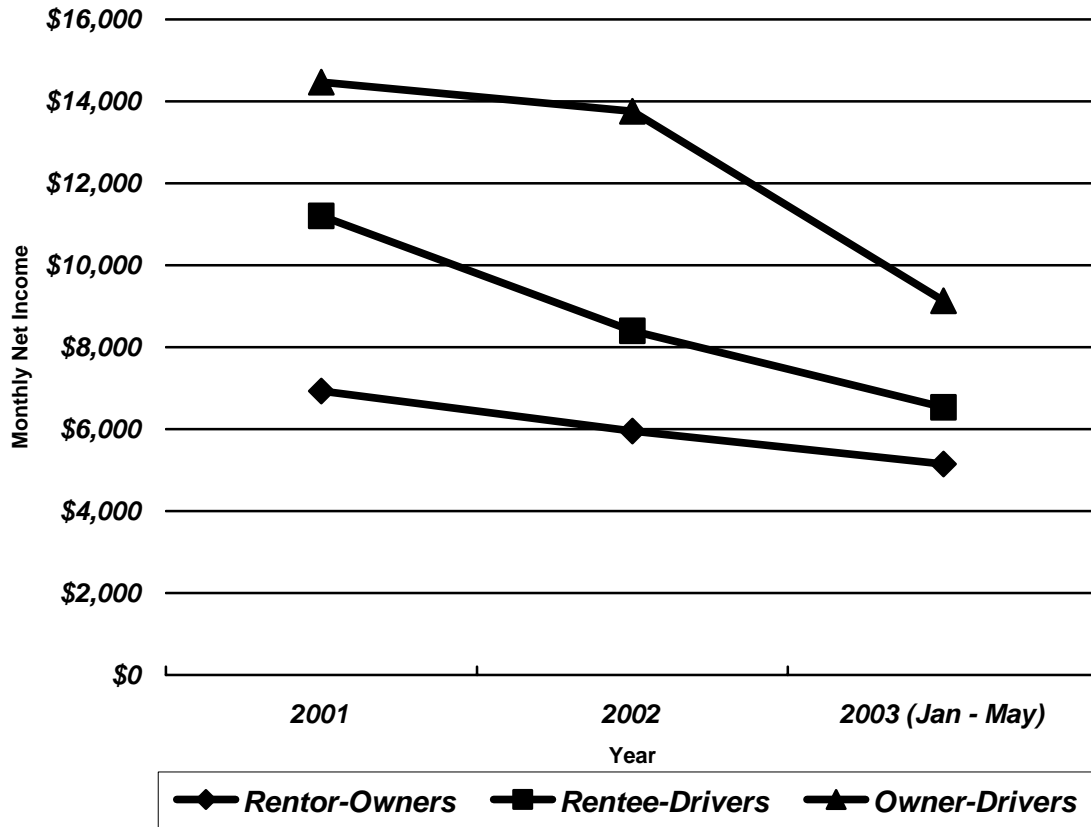
13. Members are invited to note the content of this paper and offer comments on the NT taxi trade's proposed temporary fare concession.

Environment, Transport and Works Bureau  
May 2003

**Fare Concession proposed by NT Taxi Trade**

	<b><u>Existing Fares</u></b>	<b><u>Proposed Fares</u></b>
Flagfall (first 2 km)	\$12.50	\$12.50
Incremental charges (every subsequent 0.2 km or waiting time for every 1 minute)	\$1.20	-
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<i>For first seven incremental charges</i>	-	\$1.20
<i>For the remaining incremental charges thereafter</i>	-	\$0.90
Telephone booking surcharge	\$4.00	\$4.00
Surcharge for every article of baggage, animal or bird	\$4.00	\$4.00

Monthly Net Income of NT Taxi Operators



**Rate of Fare Concession under Different Journey Distance**

<b>Taxi Journey Distance</b>	<b>Existing Fare</b>	<b>Proposed Fare</b>	<b>Percentage Change</b>
For the first 2 km (at flagfall)	\$12.50	\$12.50	0%
For a 3.4 km taxi journey	\$20.90	\$20.90	0%
For a 10 km taxi journey	\$61.70	\$51.50	-16.0%
For a 20 km taxi journey	\$121.70	\$96.50	-20.50%
For a 30 km taxi journey	\$241.70	\$186.50	-22.70%