

For Information

Legislative Council Panel on Transport

Review of Taxi Operation

PURPOSE

This paper informs Members of the outcome of the review of taxi operation conducted by the Transport Advisory Committee (“TAC”) and the way forward. The Chairman of the TAC Public Transport Services Sub-committee will brief Members on TAC’s recommendations at the meeting on 27 June 2008.

BACKGROUND

2. At the invitation of the Government, TAC launched a review on the mode of operation and quality of taxi services in Hong Kong in April 2007, through its Public Transport Services Sub-committee, to examine the operation of taxi services in Hong Kong and changes in the operating environment. The review seeks to identify feasible and appropriate improvement measures to broaden the taxi trade’s business opportunities, and at the same time benefit the public through the provision of competitive taxi services to meet their needs.

3. TAC conducted a public consultation exercise from 22 October 2007 to 31 January 2008, during which they issued a consultation document to gather the views of the public and the taxi trade on how to promote the development of taxi services in Hong Kong. Moreover, TAC also held meetings with taxi trade associations and academics as well as participated in media programmes and public forum to exchange views with members of the public directly. TAC has completed the review and released its report on 5 June 2008. Copies of the report which sets out TAC’s recommendations have been sent to all Legislative Council Members. A copy is attached at the Annex.

SUMMARY OF TAC's RECOMMENDATIONS

4. TAC has made the following recommendations:

- (a) changing the policy on the taxi fare structure from “front-loaded and the subsequent incremental charges being calculated at the same rate” to “front-loaded and thereafter on a varying descending scale for incremental charges”;
- (b) Hong Kong in longer term, when suitable conditions exist, should consider moving towards a more flexible taxi fare regulatory regime;
- (c) TAC would like to emphasize that taxi passengers should pay according to the meters, similar to other public transport passengers paying the stipulated fares, so as to ensure order in the market. However, TAC considers that supporting this principle does not equate to concurring in taking the extreme course of action to enact legislation to impose penalty on passengers for fare bargaining. TAC also notes the current practice adopted in some overseas cities is to forbid charging taxi fares below the metered fares. However, TAC considers that this may not be practicable in Hong Kong unless the associated problems of this approach could be addressed and supported by the taxi trade. TAC notes that legislative safeguards are already in place to protect the interests of taxi drivers;
- (d) TAC recommends the introduction of premium taxis in Hong Kong. TAC considers that, should this be pursued, the existing taxi licences should be used to operate the premium taxis. For this proposal to materialize, TAC considers that some practical issues need to be resolved first. The taxi trade is invited to put forward concrete proposals to TAC or the Transport Department (“TD”);
- (e) TAC recommends the introduction of the business mode of personalized “fixed route fixed fare taxi services” in Hong Kong and suggests that point-to-point personalized “fixed route fixed fare taxi services” be implemented first on a trial basis between the control points and the Airport. For this trial scheme to be launched, TAC

considers that some practical issues have to be resolved with the trade first. The taxi trade is invited to put forward concrete proposals to TAC or TD;

- (f) TAC considers that the introduction of wheelchair-accessible taxis in Hong Kong should be supported. It encourages the taxi trade to continue to explore the suitable vehicles for use by wheelchair-bound passengers in Hong Kong. It notes that TD would step up its efforts in working with other relevant departments to smoothen the process of introduction and facilitating the taxi trade in further communicating with the manufacturers;
- (g) TAC recommends encouraging more taxi drivers to participate in training programmes and suggests that shorter and more focused training courses should be organized to cater for the mode of operation of taxi drivers;
- (h) TAC suggests implementing a series of measures to enhance the Taxi Driver Commendation Scheme to provide more incentives for the taxi drivers to improve service quality and facilitate passengers in identifying those drivers who provide quality service;
- (i) TAC suggests producing a label for display inside taxis to inform passengers of the availability of the “Travelling Hong Kong Phrasebook for Taxi Drivers” and that consideration may be given to including more languages in the next edition of the Phrasebook;
- (j) TAC suggests that the existing taxi driver identity plates should be upgraded to project the professional image of drivers and make them more visible to passengers in the design and method of display. TAC notes that TD will develop enhanced measures to maintain the quality, uniformity and record of the taxi driver identity plates issued; and
- (k) TAC welcomes the introduction of new technology which could help to enhance the quality of taxi services and supports the Government to facilitate the trade’s initiative to introduce such technology.

WAY FORWARD

5. The Government welcomes the TAC Report. We believe the various recommendations on the mode of charging, the mode of service as well as enhancement of the quality of taxi service would help to broaden the taxi trade's business opportunities while at the same time benefit passengers through the provision of more diversified and better taxi services.

6. The Administration considers that the new fare structure policy will provide the taxi trade with more flexibility in proposing fare adjustments in the light of market situation, by allowing the trade to propose fares at a varying descending scale for incremental charges. In handling future applications for taxi fare adjustment, the Government will adopt the new policy on taxi fare structure as recommended by TAC and continue to take into account all relevant factors under the existing taxi fare adjustment mechanism.

7. As far as new modes of taxi services are concerned, the Transport Department will organize discussions with the taxi trade to work out detailed arrangements for introducing premium taxis and implementing point-to-point personalized fixed route fixed fare taxi services on a trial basis between the cross-boundary control points and the Airport. On the various TAC's suggestions on enhancing the quality of taxi services, relevant departments will work together with a view to implementing the recommendations early next year.

8. Members are invited to note the above.

Transport and Housing Bureau
Transport Department
June 2008

**Report on
Review of Taxi Operation**

Transport Advisory Committee

June 2008

CHAPTER 1 - OVERVIEW OF THE REVIEW OF TAXI OPERATION

Objectives of the Review

Taxi services are closely linked with our daily lives. This is also a mode of transport service frequently used by many overseas visitors coming to Hong Kong, and thus plays a non-negligible part in shaping Hong Kong's international image.

2. The taxi trade has been experiencing a lot of changes in its operating environment in the recent years. Over the past decade, the development of new towns and major infrastructure projects in the remote areas of Hong Kong has resulted in an increase in passenger demand for long-haul public transport services. Meanwhile, some public transport modes, including railways and franchised buses, have continued to enhance their network coverage and service standards, providing passengers with comfortable, convenient and efficient public transport services as well as fare concessions for long-haul routes. The competitiveness of the taxi trade in the transportation market, particularly in the long-haul sector, is encountering challenges.

3. To increase patronage, some taxi drivers resort to practices such as offering fare discounts or accepting requests for discounted fares from passengers. This has caused considerable concern in the taxi trade. There is demand from members of the trade for restoring the level playing field and transparency of competition in the trade. There are also suggestions for introducing changes and improvements in the mode of taxi operation to broaden the trade's business opportunities, as well as views that there is room for improvement in the quality of taxi services.

4. At the invitation of the Government, the Transport Advisory Committee ("TAC") launched a review on the mode of operation and quality of the taxi services in Hong Kong in April 2007, through its Public Transport Services Sub-committee ("PTSSC"), to examine the operation of

taxi services in Hong Kong and changes in the operating environment. The review seeks to identify feasible and appropriate improvement measures to broaden the taxi trade's business opportunities, and at the same time benefit the public through the provision of competitive taxi services to meet their needs. Memberships of the TAC and PTSSC are at the Annex.

5. Alongside the examination of changes in local taxi operation, TAC also conducted visits to several overseas cities which are comparable to Hong Kong in economic activities, including Singapore, Tokyo, London and New York, to study their regulatory mechanisms for taxi services and the mode of their taxi operation. The information about the practices in these four cities has been set out in the consultation document, and is thus not repeated in this report. TAC has also looked into the regulatory regimes relating to fare bargaining in ten other major cities to make reference to their experiences and practices.

Public Consultation

6. To gather the views of the public and the taxi trade on how to promote the development of taxi services in Hong Kong, TAC issued a public consultation document entitled "Inviting Views from the Trade and the Public for Quality Taxi Services" on 22 October 2007. Members of the public and the taxi trade were invited to express views on issues relating to the mode of charging, the mode of service and the quality of taxi services in Hong Kong as these three areas are most pertinent to the objective of the review which is to identify feasible and appropriate improvement measures to broaden the taxi trade's business opportunities while facilitating the trade in providing competitive taxi services that meet passengers' needs. The consultation exercise was concluded on 31 January 2008.

7. To widely engage the public and the taxi trade during the consultation, TAC publicized the consultation document through the internet and distributed the consultation documents through various channels, including distribution of documents at all District Offices, Transport Department's ("TD") Licensing Offices as well as the toll booths of Government tunnels and the Tsing Ma Bridge; issuing the document to taxi trade associations, Legislative Council Members, District Council

Members and the Consumer Council; proactive distribution of document to the taxi drivers at liquefied petroleum gas (“LPG”) stations; and proactive distribution of document to the passengers at major taxi stands. Moreover, PTSSC Members also held meetings with taxi trade associations and academics as well as participated in media programmes and public forum to exchange views with members of the public directly.

8. During the consultation, TAC received over 6,600 written submissions from organizations and individuals, including about 4,000 standard submissions¹ and about 2,600 non-standard submissions. Some members of the public or the taxi trade have agreed to make public the copy of his/her written submission on the condition of anonymity. Copies of these submissions are made available at TD’s Licensing Offices for public reference.

TAC’s Recommendations

9. The TAC has considered carefully all the views received from the trade and the public during the consultation. Having regard to the objective of the review as mentioned above, TAC has focused on the mode of charging, the mode of service and the service quality of the taxi trade in formulating recommendations with a view to broadening the business opportunities of the trade and benefitting the public through the provision of competitive services. In the following chapters, the current situation, the views received during the consultation and TAC’s recommendations on each of the above three areas are presented. Comments from the taxi trade and the public are welcome.

¹ There are 12 types of standard submissions. Each type has more than one written submissions received but with the same content.

CHAPTER 2: MODE OF CHARGING

(1) Policy on Taxi Fare Structure

Current Situation

10. At present, urban, New Territories (“NT”) and Lantau taxis each adopts one uniform fare scale based on travelling mileage, waiting time and other additional services. The existing fare structures are generally front-loaded² and the subsequent incremental charges are calculated at the same rate. The scale of fares for the hiring of taxis is specified in Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D) (“the Regulations”) and is determined by the Chief Executive in Council.

11. The current fare scales of the three types of taxis are as follows:

Fares		Urban Taxi	New Territories Taxi	Lantau Taxi
Flagfall charge	The first 2 km	\$16	\$13.5	\$12
Incremental charges	Every subsequent 0.2 km / every minute of waiting time	\$1.4	\$1.2	\$1.2
Additional charges	Telephone booking	\$5	\$4	\$5
	Per piece of baggage/ every animal or bird	\$5	\$4	\$5
	The legislation also prescribes the charges for using tolled tunnels and the Lantau link, as well as surcharges for using cross-harbour tunnels and the Lantau link.			

12. Under the legislation, there is an alternative arrangement for hiring a taxi, i.e. hiring a taxi as a whole. The hiring rate may be agreed between

² Lantau taxis’ fare structure adopts a uniform distance-based structure, i.e. the flagfall and the subsequent incremental charges are calculated at the same rate.

the hirer and the registered owner of the taxi, and both of them are required to sign a written document to set out the details of the hiring.

13. TAC notes that there are considerable differences in the operating conditions of the three types of taxis. For instance, there are substantial variations in their taxi trip distributions, which can be illustrated by the following table.

Taxi Trip Distributions in 2007

Distance	Percentage of taxi trips (%)		
	Urban Taxi	NT Taxi	Lantau Taxi
≤4km <i>Urban taxi: \$16 to \$30</i> <i>NT taxi: \$13.5 to \$25.5</i> <i>Lantau taxi: \$12 to \$24</i>	65.95%	82.45%	24.89%
4km to 10km <i>Urban taxi: \$30 to \$72</i> <i>NT taxi: \$25.5 to \$61.5</i> <i>Lantau taxi: \$24 to \$60</i>	25.81%	13.48%	45.65%
10km to 14km <i>Urban taxi: \$72 to \$100</i> <i>NT taxi: \$61.5 to \$85.5</i> <i>Lantau taxi: \$60 to \$84</i>	4.59%	1.93%	8.97%
14km to 20km <i>Urban taxi: \$100 to \$142</i> <i>NT taxi: \$85.5 to \$121.5</i> <i>Lantau taxi: \$84 to \$120</i>	1.93%	1.03%	12.82%
20km to 30km <i>Urban taxi: \$142 to \$212</i> <i>NT taxi: \$121.5 to \$181.5</i> <i>Lantau taxi: \$120 to \$180</i>	0.78%	0.66%	7.21%
30km or above <i>Urban taxi: \$212 or above</i> <i>NT taxi: \$181.5 or above</i> <i>Lantau taxi: \$180 or above</i>	0.93%	0.45%	0.46%
Total	100%	100%	100%

Views Received During the Consultation

14. Among the non-standard submissions, the majority of views is satisfied with the existing uniform mode of charging based on traveling mileage, waiting time and other additional services provided for taxi services in Hong Kong. Nevertheless, quite a number of respondents consider that changes or improvements can be made. Among these respondents, there are relatively more views which suggest allowing individual taxi operators to apply to the Government for approval for charging at a level below the ceiling prescribed by the Government or introducing other modes of charging. Some respondents suggest that taxi fares be set by the operators rather than regulated by the Government. There are also some views which support maintaining the status quo. Apart from comments on the charging mode, there are over 100 specific fare restructuring proposals received from individuals or organizations including taxi associations during the consultation. Among these proposals, there are more views in support of raising short-haul fares and lowering long-haul fares.

15. As regards standard submissions, there are relatively more views which are satisfied with the existing uniform charging mode and support maintaining the status quo. There are relatively fewer views which support allowing individual taxi operators to seek approval from the Government for charging at a level below the ceiling or introduce other modes of charging, or permitting them to set taxi fares without being required to seek Government's approval. There is one specific proposal on the taxi fare structure, which is in support of raising short haul fares and lowering long haul fares.

Recommendations

16. Having regard to the objective of the review, the current operating condition of the taxi trade and the views received from the public and the trade during the consultation, TAC recommends that the policy on the taxi fare structure should be changed from “front-loaded and the subsequent incremental charges being calculated at the same rate” to “front-loaded and thereafter on a varying descending scale for incremental charges”.

17. TAC considers that this recommended change provides an important window for change to the taxi operators. On the one hand, this can align the taxi fare structure with the fare structures of other public transport modes such as railways, franchised buses and green mini-buses (“GMBs”) to increase the taxis’ competitiveness. At present, for railways, franchised buses and GMBs, the average fares of long-haul trips per kilometer are in general lower than the average fares of short-haul trips per kilometer.

18. On the other hand, this could help restore a level-playing field for taxi operators whose business have been affected by the discount gangs which offer discounts for medium and long-haul trips. By allowing the trade to have a descending scale for incremental charges under the recommended new fare structure policy, taxi operators will be given a fair and transparent opportunity to propose fares for long haul trips at competitive rate to suit market conditions. Indeed, views received from the public and the trade indicates wishes for lowering fares of trips of longer distance³.

19. TAC has considered whether it should specify the length of journey distances for short-, medium- and long-haul trips and their respective fares. However, TAC notes that the views of members of the taxi trade on fare levels are diverse as witnessed by the huge number of different fare restructuring proposals submitted to the TAC during the consultation. Moreover, subsequently some taxi trade associations have also revised their proposals to TD since their submissions to TAC. In the light of this, TAC considers it better not to make specifications in this regard. This is because the dynamic market situation will render specification by TAC at this point in time soon obsolete. Rather, TAC considers the best approach is for it to create this framework of fare structure policy which will then enable the three different types of taxis to propose adjustment to their fare structures having regard to the changing market situation. Another merit of this approach is that the three different types of taxis can still set their respective fare scales by reference to their different operating conditions.

³ In the more than 100 fare restructuring proposals received, the level of total fares from which reduction of fares is proposed varies considerably ranging from \$50 to about \$200.

20. Once the varying descending scale is implemented, TAC recommends displaying the taxi fare scales more prominently outside or within the taxis to enable passengers to know clearly the flagfall charge and incremental charges applicable to different journey distances to provide more clarity to passengers.

21. To the travelling public, TAC considers that the above recommended changes would benefit them through the provision of more competitive taxi services, especially for long-haul trips as the new fare framework allows the taxi trade to propose fares at a varying descending scale for longer haul trips in the light of the market situation.

22. While recommending the above policy change, TAC is of the view that the existing policy considerations⁴ for assessing the justifications for fare adjustment applications, apart from the above recommended change, should remain unchanged. These considerations include the following:

- (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 service 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.

In relation to this, TAC notes that the trade's existing practice is to discuss among themselves to come up with a common fare adjustment application for submission to the Government.

⁴ TAC in its 1994 Taxi Policy Review has reaffirmed the policy considerations that have all along been adopted by the Government for assessing taxi fare increase applications.

23. TAC also recommends that Hong Kong in longer term, when suitable conditions exist, should consider moving towards a more flexible taxi fare regulatory regime, such as allowing individual taxi operators to apply to the Government for setting different fare scales subject to the maximum flagfall and subsequent incremental charges prescribed by the Government. This will eventually allow an even greater choice to passengers and competition among the trade. Nevertheless, the TAC cautions that Hong Kong has not yet had the suitable conditions for making such change at the present stage. It is because while in other places which currently adopt more flexible taxi fare regulatory regimes, such as Tokyo, its taxi trade structure is dominated by a few taxi companies and 70% of the taxis are corporate-operated, the majority (70%) of taxis in Hong Kong are operated by individual rentee-drivers. There are over 30,000 taxi operators in Hong Kong. Allowing individual taxi operators in Hong Kong to apply for setting different fare scales could create a lot of confusions to passengers and give rise to practical difficulties in processing the large volume of applications. In the longer term, Hong Kong could consider the feasibility of allowing more flexibility in the taxi fare regulatory regime when Hong Kong's taxi trade market structure develops to one which is more similar to those places such as Tokyo in terms of the mix of individual/ corporate taxi owners and when the difficulties mentioned above have been resolved.

(2) Fare Bargaining

Current Situation

24. TAC has examined the discount gang phenomenon. It reckons that the prevalence of the discount gang problem is difficult to ascertain scientifically as no one would report the cases to the Police if both the participating passengers and drivers are satisfied. Yet, TAC notes informal feedback from the trade shows that this phenomenon is more serious for longer-haul trips and would change with the economic situation.

25. At present, it is unlawful for taxi drivers to charge fares exceeding the approved scale of fares or solicit persons to use their taxis. The commission of this offence is liable on conviction to a fine of \$10,000 and to imprisonment of six months. Under the existing legislation, while fare

bargaining on the part of the passengers is not an offence, no taxi passenger shall hire a taxi, knowing or having reason to believe that he cannot pay the legal fare and with intent to avoid payment of the legal fare; dishonestly endeavour to avoid payment of a legal fare; or having failed or refused to pay the fare demanded by the driver of a taxi, either refuse to give the driver of the taxi his name and address or give, with intent to deceive, a false name or address. Breaches of these provisions are liable to a fine of \$3,000 and to imprisonment for six months on conviction. In other words, even though passengers ask for discounts, the drivers under the law can refuse to accept. Moreover, under the Regulations, taxi passengers are prohibited from using obscene or offensive language or conducting himself in a disorderly manner.

Overseas practices

26. TAC has also looked into the practices of a number of other major cities, including Singapore, Tokyo, London, New York, Shenzhen, Beijing, Shanghai, New Zealand, Vancouver, Toronto, Frankfurt, the Netherlands, Melbourne and Seoul.

27. Most of the above places do not prohibit fare bargaining by taxi passengers and their regulatory authorities explain that they do not see such a need as the drivers are not obliged to agree to the fare discount proposed by passengers. For those⁵ which state that they prohibit fare bargaining by taxi passengers, none of these cities impose penalty on passengers for fare bargaining. The reasons quoted by them include: taxi drivers can refuse requests for fare discounts by passengers; and the regulatory authorities do not regulate passengers, but rather the operators and their drivers through the licensees. Moreover, in some of the cities⁶, taxi operators are forbidden to charge below the metered fare. These regulatory authorities point out that the onus should be put on taxi operators instead of passengers in these circumstances. London, Frankfurt, Toronto, Beijing and Shanghai allow taxi drivers and passengers to freely negotiate on the fares for long-distance journeys with destinations outside the city area or to the Airport. The reasons cited include: such trips have less impact on the trade's business in the city; some drivers may carry no passengers on their way back; the

⁵ These cities are Beijing, Shanghai, Vancouver, Toronto, Melbourne and Seoul.

⁶ These cities are Tokyo, Beijing, Shanghai, Vancouver, Toronto, Frankfurt, Melbourne and Seoul.

metered fares for long trips are rather high and are not acceptable to passengers. The Netherlands and Shenzhen consider that allowing passengers to bargain can provide some flexibility for allowing more business for the taxi trade under certain circumstances, such as when the taxi service is oversupplied during the night period and when passengers would take taxis only when a lower fare is charged.

Views Received During the Consultation

28. Among the written submissions, there are relatively more views that do not concur in fare bargaining by passengers while there are also some supportive views.

29. Those views in support of fare bargaining consider that fare bargaining is a legitimate right of passengers in a free market economy; it helps to balance the demand and supply of taxi services; and taxi drivers are not obliged to accept a discounted fare proposed by passengers.

30. Those views which do not favour fare bargaining by passengers consider that it is fair for every driver and passenger to adhere to the metered fare; fare bargaining may cause disputes between the taxi drivers and passengers as well as traffic congestion; and it may also cause unhealthy competition among taxi operators.

31. Apart from the above written submissions, TAC met with some taxi trade associations during the consultation to listen to their views on various issues relevant to the review of taxi operation. During these meetings, some members of the taxi trade strongly requested that legislative amendment should be made to forbid fare bargaining by passengers. They also subsequently wrote to TAC to reiterate this view.

32. The Consumer Council has also provided its views. The Council expressed the view that fare bargaining on the part of consumers should continue to be allowed. The Council stated that the Government should continue its price regulation policy but introduce flexibility by allowing certain degree of price bargaining for long distance service. If there is strong evidence that some taxi drivers are willing to lower the fare to get more

business in long distance services, the Council considered that the Government should assess whether that reflects room for taxi fare reduction for long distance service.

Recommendations

33. TAC has considered carefully the desirability and feasibility of legislating against fare bargaining by passengers. On this, TAC would like to emphasize that taxi passengers should pay according to the meters, similar to other public transport passengers paying the stipulated fares. This is important to ensure order in the market. However, TAC considers that supporting this principle does not equate to concurring in taking the extreme course of action to enact legislation to impose penalty on passengers for fare bargaining for the reasons set out in paragraphs 34 to 37 below.

34. First, under the current legislation, taxi drivers can refuse to accept lower fares requested by passengers. In other words, legislative safeguards are already in place to protect the interests of taxi drivers.

35. Second, while TAC acknowledges that there might be circumstances in which some taxi drivers might be assaulted or verbally abused when being asked for discounts by passengers, under the present law taxi passengers are prohibited from using obscene or offensive language or conducting himself in a disorderly manner. Thus, the crux of the matter does not lie in enacting a new legislative provision. Rather taxi drivers should be encouraged to report the cases to the Police when encountering such situations.

36. Third, TAC has sought the Police's advice on the feasibility of enacting legislation to forbid fare bargaining by passengers from the enforcement perspective. The Police is of the view that there will be difficulties in collecting evidence of such bargaining activities as without the driver's agreement and consent, a taxi passenger would not be able to obtain a discounted fare. Having a legislative prohibition against fare bargaining by passengers would therefore be extremely difficult to enforce as neither a willing driver nor a satisfied passenger is likely to make a report to the Police. Likewise there might also be evidential problems if the taxi

drivers agreed to give the discount and accepted the discount fares despite the fact that it could have been initiated by the passengers. Unless there is admission by the “offenders”, none of the parties (being willing participants) would testify against the other.

37. Fourth, TAC is concerned about suggestions that a mere verbal enquiring about fare discount by passengers should attract criminal penalty as this would seriously deter the public, including tourists, from using taxi services. TAC notes that no other cities in the world now penalize passengers on this.

38. Taking into account the above, TAC does not consider that legislating against fare bargaining is a desirable and effective measure. TAC considers that the recommendation in paragraph 16 above on the policy on the taxi fare structure may help to alleviate the problem of fare bargaining by allowing the taxi trade more room to adjust its fare structure to align with the actual market conditions.

39. TAC also notes the current practice adopted in some overseas cities is to forbid charging taxi fares below the metered fares. However, TAC considers that this may not be practicable in Hong Kong unless the associated problems of this approach could be addressed and supported by the taxi trade. These problems include removing the flexibility for taxi drivers and passengers to agree on a lower fare when the driver uses a wrong routeing and agrees to accept a lower fare from the passenger; and overcoming enforcement difficulties as neither a willing driver nor a satisfied passenger is likely to report the case to the Police.

CHAPTER 3: MODE OF SERVICE

Current Situation

40. At present, almost all taxis in Hong Kong are of the same LPG-driven vehicle type. TAC also notes that under the Air Pollution Control (Vehicle Design Standards) (Emission) Regulations (Cap. 311J), all taxis registered on or after 1 August 2001 shall be operated on unleaded petrol or liquefied petroleum gas (LPG) only. The maximum of five passenger seats as well as the dimensions and weight of a taxi are specified in the Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap. 374A). As long as these requirements are complied with, there is no specific requirement on the taxi vehicle type used in Hong Kong.

41. Passengers may hire taxi services by hailing on the street or through telephone booking. They may also hire a taxi as a whole for a certain period of time at a mutually agreed rate by entering into a contract with the taxi owner. TAC also notes that there is currently no premium taxi or fixed route fixed fare taxi service in Hong Kong.

Views Received During the Consultation

42. The majority of views from non-standard submissions and relatively more views from standard submissions considering that the existing mode of taxi service is satisfactory. For standard submissions, there are relatively fewer views supporting changes or improvements by means of introducing alternative modes of taxi services to provide more choices to passengers. As for non-standard submissions, there are relatively more views supporting such changes or improvements. More details are provided below.

(1) Premium Taxis

Views Received During the Consultation

43. Among those written submissions which have commented on the introduction of premium taxis in Hong Kong, relatively more of them are in

support while very few submissions are opposed to the idea.

44. Those views in support consider that this could help meet passengers' demand for better services and broaden taxi trade's business opportunities. Besides, they consider that premium taxis may have larger compartments to accommodate luggage of passengers travelling to/from the Airport. Those views which do not favour this change generally do not see a business case for operating premium taxis in Hong Kong as the operating costs are relatively much higher and there is also hire car service available in Hong Kong. Some of them consider that having different taxi vehicle types in Hong Kong may be confusing to passengers.

Recommendations

45. TAC recommends the introduction of premium taxis in Hong Kong. To the taxi trade, this could broaden its business opportunities. To passengers, the segmentation of taxi services could help to cater for their different needs. TAC also considers that Hong Kong should capitalize on the introduction of premium taxis to further improve taxi services. If introduced, TAC suggests that consideration may be given to whether taxi drivers for premium taxis should receive suitable training before they are qualified for driving such taxis. In the light that in general the supply of taxi services can meet the demand of passengers on normal days, TAC considers that, should this be pursued, the existing taxi licences should be used to operate the premium taxis.

46. For this proposal to materialize, TAC considers that some practical issues need to be resolved first. The following are some examples of these practical issues:

- (a) Should premium taxis be allowed to charge according to a fare scale higher than that of normal taxis at all times? TAC notices that the purchase and on-going operating costs of premium taxis are expected to be much higher than those of normal taxis and thus whether the taxi operators are interested in bringing in premium taxis in Hong Kong will depend very much on whether a higher taxi fare scale is

allowed for such taxis. If premium taxis are allowed to charge according to a higher fare scale, then a set of charging criteria would need to be worked out.

- (b) Should premium taxis be restricted to pre-booked services only or allowed to cruise on street and queue up at taxi stands? This needs to be resolved because if a higher fare scale is allowed for premium taxis and if premium taxis are allowed to queue up at normal taxi stands to pick up passengers, some passengers may refuse to take the premium taxis at taxi stands due to the higher fares and thus affecting the order thereat.

(2) Fixed Route Fixed Fare Taxi Service

Views Received During the Consultation

47. Among those written submissions which have commented on the introduction of fixed route fixed fare taxi services in Hong Kong, there are relatively more supportive views.

48. Those views which support this change consider that it would increase the business opportunities of the taxi trade and provide passengers, in particular tourists, a clear idea about the fare levels charged for journeys between designated origins and destinations. Those views which do not favour this change consider that it may be difficult for the taxi trade to reach a consensus on the fixed fares and the existence of different charging mechanisms may confuse passengers. There are also concerns that the operation of such services might require the designation of separate taxi stands which might give rise to taxi pooling activities.

Recommendations

49. TAC recommends the introduction of the business mode of personalized “fixed route fixed fare taxi services” in Hong Kong. To the taxi trade, this could help to provide an alternative mode of service to attract passengers to use taxi services. To passengers, they would have certainty

about the total amount of fares charged for the fixed routes. On this service mode, TAC suggests that point-to-point personalized “fixed route fixed fare taxi services” be implemented first on a trial basis between the cross-boundary control points and the Airport. It is because these points are relatively more well defined and frequently visited by tourists. Moreover, the recommended policy change in taxi fare structure set out in paragraph 16 above will already allow varying descending fares be charged for incremental distances to benefit passengers on a territory-wide basis. Not to implement personalized “fixed route fixed fare services” on a territory-wide basis will avoid creating too many changes at the same time, which may cause confusions to passengers and the trade. This also reflects the trade’s views that they prefer changes be made step by step.

50. For this trial scheme to be launched, TAC considers that some practical issues have to be resolved with the trade first. These include, amongst others, (i) whether there should be only one set of fixed fare for each route for different types of taxis; and (ii) whether taxi operators or drivers should be allowed to choose whether to engage in such service.

(3) Wheelchair-accessible Taxis

51. TAC has looked into Hong Kong’s situation and notes that the taxi trade is currently allowed to use LPG-driven or petrol-driven wheelchair-accessible taxis in Hong Kong. At present, two petrol-electric hybrid vehicles (i.e., Toyota Alphard) have been introduced by the trade as wheelchair-accessible NT taxis.

52. During the consultation, only a few non-standard submissions and no standard submissions have commented on the introduction of wheelchair accessible taxis in Hong Kong. All the relevant views received are in support of the idea.

53. TAC considers that the introduction of wheelchair-accessible taxis in Hong Kong should be supported. It encourages the taxi trade to continue to explore the appropriate vehicles for the use by wheelchair-bound passengers in Hong Kong. TAC also notes that TD would step up its efforts in working with other relevant departments to smoothen this

introduction process and facilitating the taxi trade in further communicating with the manufacturers.

CHAPTER 4: SERVICE QUALITY

Current Situation

54. TAC considers that passengers using public transport services, including taxi services, attach much importance to service quality. It notes that penalties against misconduct of taxi drivers are already provided for in the legislation. At present, the legislation stipulates that no taxi driver shall:

- (a) Solicit passengers;
- (b) Refuse hire or select passengers;
- (c) Overcharge;
- (d) Fail to take the most direct route to the destination;
- (e) Carry any passenger other than the hirer without the hirer's consent;
- (f) Tamper with taximeter or use taximeter not complying with the legislation;
- (g) Fail to take all reasonable precautions to ensure the safety of passengers; and
- (h) Behave improperly. For example, under the Smoking (Public Health) Ordinance (Chapter 371), no driver shall smoke in a taxi.

55. Like all other drivers, a taxi driver who has committed certain traffic offences is liable to having driving-offence points recorded in addition to such penalties as fine or imprisonment.

56. Apart from the above penalties, a series of measures set out in paragraphs 57 to 61 have been implemented to encourage taxi drivers to improve their service quality.

Commendation Scheme for Taxi Drivers

57. Each year, the Quality Taxi Services Steering Committee ("QTSSC") commends the drivers providing good service through its Taxi Driver Commendation Scheme ("the Scheme"). Since 2002, a total of 67

taxi drivers have been nominated by the public and given commendation as Quality Taxi Drivers under the Scheme. TD issues “Quality Taxi Driver Identity Plate” to these commended taxi drivers for display inside taxis. In addition, trophies and prizes are presented to the Quality Taxi Drivers at the presentation ceremonies.

Training for Taxi Drivers

58. At present, under the Skills Upgrading Scheme (“SUS”), an “Advanced Taxi Drivers Composite Course” is specifically tailor-made for taxi drivers and is conducted either in the form of a two-day full-time course or several night-time sessions once a week with an aggregate duration of 16 hours. 70% of the course fee is subsidized by the Government and the fee paid by each participant for joining a SUS course is about \$200. The course content include:

- (a) safe driving habits;
- (b) vehicle examination and maintenance;
- (c) characteristics of LPG taxis;
- (d) taxi drivers’ conduct and service standards;
- (e) taxi regulations, insurance claims and environmental protection;
- (f) techniques for handling emergency or accidents; and
- (g) vocational safety and health.

59. Since the above training programme was introduced in 2003, a total of 86 taxi drivers have attended.

60. Besides, in-service taxi drivers may participate in the training courses under the Driving Improvement Scheme (“DIS”), designed and open for enrolment by all drivers, who will receive an 8-hour classroom training on improving their driving attitudes and on-the-road knowledge. The contents of these courses mainly focus on driving safety.

Customer Service for Non-Cantonese Speaking Passengers

61. The Government, QTSSC and the Hong Kong Tourism Board (“HKTB”) have implemented some programmes to help taxi drivers improve their workplace language proficiency. These include the “Travelling Hong Kong Phrasebook for Taxi Drivers” (“the Phrasebook”) published in five languages (viz. traditional and simplified Chinese, English, Japanese and Korean) by the Hong Kong Tourism Board and distributed to the taxi trade as well as the “Workplace English and Putonghua Programme for Taxi Drivers” CD promulgated by TD in collaboration with QTSSC.

62. Moreover, TAC notes that almost all taxi drivers in Hong Kong subscribe to the services from radio call centres, in order to obtain booking orders and receive latest traffic news. In general, all these call centres also provide assistance to the subscribed drivers if they have communication problem with the passengers generally in English and Putonghua.

New Technology

63. Some taxi operators have also been exploring new technologies, such as the Global Positioning System, to provide enhanced taxi services.

Views Received During the Consultation

64. Most of non-standard submissions and relatively more views among standard submissions are satisfied with the quality of taxi service in Hong Kong. Nevertheless, there are quite a number of views that improvements are needed in respect of drivers’ service attitude (e.g. courtesy and readiness to help passengers), driving manner and dress code. There are also views that drivers should be required to attend training courses. Some submissions comment that taxi drivers’ language proficiency is not good enough to communicate with non-Cantonese speaking passengers and needs to be enhanced. There are also views that technology should be introduced on taxis to provide higher quality services, including Global Position System, electronic payment system (e.g. Octopus card and EPS), and multi-media facilities (e.g. Wi-fi online service and audio-visual facilities, etc.).

Recommendations

65. TAC has considered views received during consultation and the overall trend of complaints on taxi drivers received by the TAC Complaint Unit. It considers that there remains room for improvement in the quality of taxi services. As penalties against misconduct of taxi drivers have already been provided for in the legislation, TAC recommends providing more incentives to encourage taxi drivers to improve their service quality as this would benefit both the trade and the public. TAC suggests the following improvement measures.

Training

66. TAC recommends encouraging more taxi drivers to participate in training programmes as a considerable proportion of the complaints against taxi drivers received by the TAC Complaints Unit are on the taxi drivers' service attitude and driving behaviour. TAC considers that the current SUS training courses are too long in view of the taxi trade's mode of operation which usually runs on a 10 to 12 hour shift. TAC suggests that shorter and more focused training courses should be organized. Specifically, it recommends breaking up the SUS training courses for taxi drivers into smaller modules each lasting for a shorter duration to provide more choices for taxi drivers and to better facilitate their enrolment in these courses.

67. TAC also suggests including in these training courses knowledge about how to take care of passengers with specific needs such as those using wheelchairs and strollers as well as basic knowledge of Hong Kong.

68. TAC has invited QTSSC to liaise with the SUS Secretariat on the implementation of these recommendations as soon as possible.

Enhanced Taxi Driver Commendation Scheme

69. TAC sees merits in the existing scheme as it helps to give recognition to quality taxi drivers and promote the upgrading of their professionalism. It suggests implementing the following improvement measures to enhance the scheme to provide more incentives for the taxi

drivers to improve service quality and facilitate passengers in identifying those drivers who provide quality service:

- (a) apart from the existing assessment criteria of past three years' driving record and complaint record as well as the nominator's recommendation, TAC suggests including training as an additional criterion such that those nominees who have completed taxi drivers training courses would be given higher scores;
- (b) enriching the prizes/ awards to be presented to the commended quality drivers, such as increasing the number of LPG coupons, etc.;
- (c) designing more conspicuous commendation labels/plates for display in taxis to give due recognition to these quality drivers and for easy identification by passengers as the current commendation plates are not easy to identify;
- (d) providing some incentives to encourage taxi owners/trade associations to make nominations, such as presenting certificates to those which have the highest numbers of commended quality drivers under the commendation scheme at the presentation ceremonies; and
- (e) elevating the profile of the scheme through wider publicity.

70. TAC suggests that QTSSC be invited to work out details for implementation of the enhanced scheme in 2009.

Customer Service for Non-Cantonese Speaking Passengers

71. TAC considers that the Phrasebook published by the HKTB is useful in enhancing taxis' services to non-Cantonese speaking passengers. It notices that not all passengers are aware of this Phrasebook. To make better use of this Phrasebook, TAC suggests TD to work with HKTB to produce a label for display inside taxis to inform passengers of the availability of the

Phrasebook. As Hong Kong is an international financial centre and a tourist centre, TAC also suggests that consideration may be given to including more languages in the next edition of the Phrasebook, such as Thai, French, German, Spanish, Russian and Arabian languages. TAC suggests QTSSC to work with HKTBB on this.

Taxi Drivers' Identity Plate

72. Taxi drivers are required under regulation 51 of the Regulations to display a taxi driver identity plate in a holder inside taxi compartment while the taxis are standing or plying for hire. Taxi drivers can promulgate the plates themselves according to the prescribed specification. TAC considers that the existing taxi driver identity plates need to be upgraded to project the professional image of drivers and make them more visible to passengers in the design and method of display. TAC notes that TD will develop enhanced measures to maintain the quality, uniformity and record of the taxi driver identity plates issued.

New Technology

73. TAC welcomes the introduction of new technology which could help to enhance the quality of taxi services. It also supports the Government to facilitate the trade's initiative to introduce such technology.

OTHER SUGGESTIONS RECEIVED DURING THE CONSULTATION

74. During the consultation, TAC also received some other suggestions from some members of the taxi trade, including the following:

- (a) allowing taxi pooling (it is also noted that a few non-standard submissions and quite many of the standard submissions are against this suggestion);
- (b) making permanent the existing temporary relaxation of no stopping restriction for taxis to pick up and set down

passengers in peak hour⁷ and 7am – 7pm no stopping restriction zones with speed limits less than 70 kilometres and extending the measure to include 7am – 12 midnight restricted zones;

- (c) relaxing Bus Only Lanes (“BOLs”) for access by occupied taxis, i.e. taxis with passengers carried on board; and
- (d) reviewing the permitted operating areas for NT taxis with a view to enabling NT taxis to operate in some newly developed areas in the periphery of their permitted operating areas.

Recommendations

75. As regards taxi pooling, TAC does not support allowing such activities in Hong Kong as different modes of public transport services perform different roles in Hong Kong. While taxis provide a personalized point-to-point service for passengers, franchised buses are mass carriers providing the major road-based public transport services and PLBs perform the role of supplementing the mass carriers in the public transport system such as serving areas where patronage cannot sustain the provision of services by high capacity carriers or where bus services are not economical or are constrained by road terrain. To regularize taxi pooling services would upset the balance of the coordination among different public transport modes. Unlike some other overseas cities where taxi pooling is allowed in order to address the shortage of taxi services, in Hong Kong the supply of taxi services can generally meet passengers’ demand and that overnight public transport services are generally available to the public. Moreover, The TAC also notes that the PLB trade and some members of the taxi trade do not support allowing taxi pooling in Hong Kong.

76. TAC notes that, due to overall traffic management considerations, TD needs to review various traffic restriction measures on an on-going basis. TAC supports that, if traffic condition permits, traffic restrictions be relaxed as much as possible, such as by designating more taxi pick-up and drop-off

⁷ “Peak hours” refers to 8am - 10am and 5pm - 7pm.

points at restricted zones, to facilitate the taxi trade's operation. TAC suggests that in formulating future town planning and urban renewal programmes, consideration should also be given to designating certain pick up/set down points for the operation of taxis.

77. Similarly, TAC notes that BOLs serve specific traffic management functions and TD will conduct a review on the utilization of all BOLs in the territory to explore if there is any room for further relaxation of some BOLs for use by other vehicles including taxis.

78. As regards the permitted operating areas for NT taxis, TAC notes that the three types of taxis have their own roles to play and the NT's permitted operating areas are kept under review and, where appropriate, adjusted to suit the changing circumstances such as opening of new major infrastructures. TAC notes that TD will continue to undertake such review on an on-going basis.

CHAPTER 5: WAY FORWARD

79. In this report, the TAC has put forward a series of recommendations concerning the mode of charging, the mode of service and the service quality of the taxi trade with a view to broadening the business opportunities of the trade and benefiting the public through the provision of competitive services. These recommendations include:

- (a) changing the policy on the taxi fare structure from “front-loaded and the subsequent incremental charges being calculated at the same rate” to “front-loaded and thereafter on a varying descending scale for incremental charges” (paragraphs 16 to 22);
- (b) Hong Kong in longer term, when suitable conditions exist, should consider moving towards a more flexible taxi fare regulatory regime (paragraph 23);
- (c) TAC would like to emphasize that taxi passengers should pay according to the meters, similar to other public transport passengers paying the stipulated fares, so as to ensure order in the market. However, TAC considers that supporting this principle does not equate to concurring in taking the extreme course of action to enact legislation to impose penalty on passengers for fare bargaining. TAC also notes the current practice adopted in some overseas cities is to forbid charging taxi fares below the metered fares. However, TAC considers that this may not be practicable in Hong Kong unless the associated problems of this approach could be addressed and supported by the taxi trade. TAC notes that legislative safeguards are already in place to protect the interests of taxi drivers (paragraphs 33 to 39);
- (d) TAC recommends the introduction of premium taxis in Hong Kong. TAC considers that, should this be pursued, the existing taxi licences should be used to operate the premium taxis. For this proposal to materialize, TAC considers that

some practical issues need to be resolved first. The taxi trade is invited to put forward concrete proposals to TAC or TD (paragraphs 45 to 46);

- (e) TAC recommends the introduction of the business mode of personalized “fixed route fixed fare taxi services” in Hong Kong and suggests that point-to-point personalized “fixed route fixed fare taxi services” be implemented first on a trial basis between the control points and the Airport. For this trial scheme to be launched, TAC considers that some practical issues have to be resolved with the trade first. The taxi trade is invited to put forward concrete proposals to TAC or TD (paragraphs 49 to 50);
- (f) TAC considers that the introduction of wheelchair-accessible taxis in Hong Kong should be supported. It encourages the taxi trade to continue to explore the suitable vehicles for use by wheelchair-bound passengers in Hong Kong. It notes that TD would step up its efforts in working with other relevant departments to smoothen the process of introduction and facilitating the taxi trade in further communicating with the manufacturers (paragraph 53);
- (g) TAC recommends encouraging more taxi drivers to participate in training programmes and suggests that shorter and more focused training courses should be organized to cater for the mode of operation of taxi drivers (paragraphs 66 to 68);
- (h) TAC suggests implementing a series of measures to enhance the Taxi Driver Commendation Scheme to provide more incentives for the taxi drivers to improve service quality and facilitate passengers in identifying those drivers who provide quality service (paragraphs 69 to 70);

- (i) TAC suggests producing a label for display inside taxis to inform passengers of the availability of the “Travelling Hong Kong Phrasebook for Taxi Drivers” and that consideration may be given to including more languages in the next edition of the Phrasebook (paragraph 71);
- (j) TAC suggests that the existing taxi driver identity plates should be upgraded to project the professional image of drivers and make them more visible to passengers in the design and method of display. TAC notes that TD will develop enhanced measures to maintain the quality, uniformity and record of the taxi driver identity plates issued (paragraph 72); and
- (k) TAC welcomes the introduction of new technology which could help to enhance the quality of taxi services and supports the Government to facilitate the trade’s initiative to introduce such technology (paragraph 73).

80. The TAC has put forward its recommendations in this report to the Administration for consideration. The taxi trade is also invited to put forward to TAC or TD concrete proposals relating to the introduction of premium taxis and personalized fixed route fixed fare taxi service in Hong Kong, and TD will continue to discuss with the trade to sort out the related practical issues. TAC will engage the public as appropriate when concrete proposals agreed among the taxi trade members are available.

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