

立法會
Legislative Council

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Panel on Transport
Meeting on 23 September 2009

Background brief on
regulation of charging taxi fares according to meters

Purpose

This paper provides background information on the legal framework on taxi fares and touting and the new fare structure of "raising short-haul fares and lowering long-haul fares". It also summarizes the major concerns expressed by Legislative Council (LegCo) Members on the need to regulate charging taxi fares according to meters and relevant discussion at meetings of the Panel on Transport (the Panel).

Background

Legal framework on taxi fares and touting

2. The scale of fares for the hiring of taxis is specified in Schedule 5 of the Road Traffic (Public Service Vehicles) Regulations (Chapter 374, sub. leg. D) (the Regulations). Under regulation 47(2) of the Regulations, no taxi operator shall charge for the hiring of the taxi a fare exceeding the appropriate scale of fares specified in the Regulations.

3. Under regulation 40 of the Regulations, no driver or person acting on behalf or purporting to act on behalf of the driver of a public bus, public light bus or taxi shall in any manner attract or endeavour to attract any person in order to induce such person to make use of the vehicle. Offering fare discount by taxi drivers to attract passengers to use their taxis would be caught under the offence of soliciting. Upon conviction, offender is liable to a maximum penalty of a fine of \$10,000 and imprisonment for six months.

Taxi touting activities

4. Taxi touting activities could take the form of offering of discount to passengers direct on the spot or through distribution of name cards or leaflets to the public indicating that a discount will be offered in hiring their taxis. Another form of

touting activities involves the use of illegal telecommunication equipment or channels by drivers to intercept hiring orders issued by taxi radio call stations. They will offer fare discount to passenger on the spot to attract them to use their taxis instead of those reserved through the radio station.

Passengers seeking taxi fare discount

5. There is no provision in the Regulations which prohibits taxi passengers from seeking fare discount from drivers. If passengers ask for fare discount from drivers, it will be up to individual drivers to decide whether or not to agree to such requests. Some taxi drivers have expressed concern that this would create an uneven playing field as drivers who agree to such requests would get the business at the expense of those who do not. Some, however, consider that allowing passengers to ask for fare discount will provide flexibility in taxi operation. The level of taxi fares, especially those for long trips, can be better aligned with public affordability and hence such flexibility provides greater business opportunity for the taxi trade in times of economic difficulty. Besides, it is up to individual taxi drivers to decide whether or not to agree to passengers' request for fare discount.

New fare structure of "raising short-haul fares and lowering long-haul fares"

Review of taxi operation

6. The taxi trade is encountering competitiveness problem in the longer-haul transport sector brought by the enhanced network coverage and service standards of railways and franchised buses, which provide passengers with convenient public transport services and fare concessions for long-haul routes. 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 and some of its members have demanded for restoring the level playing field in the trade.

7. 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 to examine the operation of taxi services and changes in the operating environment. TAC conducted a public consultation exercise from October 2007 to 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. TAC released its review report on 5 June 2008. A summary of TAC's recommendations is at **Appendix I**. Among these recommendations, TAC proposed 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".

Fare adjustments in line with the new policy on taxi fare structure

8. The Lantau Taxi Association¹ and urban taxi associations as well as the New Territories (NT) taxis associations subsequently submitted fare increase applications to the Government. According to the Administration, these applications put up by Lantau and urban taxis as well as NT taxis associations were in line with TAC's recommended revised policy on taxi fare structure, which provided the 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 particular, these fare adjustment applications proposed to lower longer-haul fares with a view to enhancing the competitiveness of the trade in the longer-haul sector and also benefit passengers of longer trips.

Discussions held by LegCo Members on the new taxi fare structure and measures to restore order in the taxi market

TAC's report on review of taxi operation and fare adjustments for Lantau and urban taxis

9. The Administration submitted TAC's report on review of taxi operation as well as the fare increase applications made by the Lantau Taxi Association and urban taxi associations to the Panel for discussion on 30 June 2008. At the meeting, some members expressed doubt about the effectiveness of the new fare structure in curtailing discount gang activities, especially when there was no legislation prohibiting against fare bargaining. Members expressed the following views and concerns -

- (a) even with the introduction of the new fare structure, the discount gangs could still further offer discounts to passengers. Taxi passengers should pay according to the meter and, if passengers were allowed to bargain on taxi fares, discount gang activities would simply persist;
- (b) while the new metered fares for long haul trips would come closer to discounted fares under the prevailing fare bargaining phenomenon, discount gangs would still thrive on flexibly charging below the metered fare and offering services, such as telephone booking, with no additional charge; and
- (c) it was disappointing that the Administration had not come up with effective measures to curb the problem of taxi fare bargaining amid strong requests from the taxi trade.

10. The Administration pointed out that TAC had also considered carefully the desirability and feasibility of legislating against fare bargaining by passengers. TAC

¹ This is the only association representing members of the Lantau taxi trade.

took the view that taxi passengers should pay according to the meters but that supporting this principle did not equate to concurring in taking the extreme course of action to enact legislation to penalize passengers for fare bargaining. Feedback from passengers also showed that they were generally not in favour of putting in place legislation to prohibit fare bargaining. There were also enforcement difficulties if none of the parties, i.e. drivers and passengers, would testify against the other. TAC also noted that no other major cities in the world penalized passengers on fare bargaining.

11. The Road Traffic (Public Service Vehicles)(Amendment) Regulation 2008 was made by the Executive Council on 23 September 2008 to give effect to an adjustment in Lantau and urban taxi fares in line with the new fare structure of "raising short-haul fares and lowering long-haul fares". At meetings of the Subcommittee formed to scrutinize the amendment regulation, members expressed doubt about the effectiveness of the new fare structure in reducing room for discount gang activities and in restoring order in the taxi market. To address members' concern, the Administration undertook that it would study the overseas experience regarding the regulation of charging taxi fares according to meters. The Administration would also engage the taxi trade through the Transport Department (TD)'s taxi conferences to understand more their views. The Administration undertook to report to the Panel findings of the study on overseas experience and the engagement with the taxi trade.

Fare adjustment for NT taxis

12. The Road Traffic (Public Service Vehicles)(Amendment) Regulation 2009 was made by the Executive Council on 13 January 2009 to give effect to an adjustment in the fares for the hiring of NT taxis. Prior to gazettal of the amendment regulation, the Panel was consulted on 11 December 2008 regarding the fare adjustment application made by NT taxi associations. While the Panel was supportive of the proposed fare adjustment, some members maintained that the new fare structure of "raising short-haul fares and lowering long-haul fares" might not be effective in combating discount gang activities as it could not prevent the discount gangs from further offering discounts to long-haul passengers. Instead, it would only lead to cut-throat competition within the trade. Members including Hon Ronny TONG, Hon WONG Kwok-hing, Hon Andrew CHENG, Hon Miriam LAU and Hon LEUNG Kwok-hung expressed the following views and concerns -

- (a) the current policy of imposing no regulation of taxi drivers' undercharging was unfair to those drivers who adhered to charging according to the meter. Legislation to prohibit drivers from accepting requests for discount from passengers should be introduced in order to effectively combat discount gang activities;
- (b) provided that the taxi fare level was set at a reasonable level, members of the public would not oppose a policy to require payment of taxi fares according to the meter; and

- (c) the crux of the problem of discount gangs was that drivers were not restricted under the law from charging less than the meter reading. The Administration was requested to make reference to overseas experience in enforcing relevant legislation and to commence consultation with the taxi trade on the introduction of necessary legislative measures.

Administration's report on its study on overseas experience and outcome of consultation with the taxi trade

13. At the Panel meeting on 22 May 2009, the Administration reported on the changes in the taxi trade's operating conditions after the fare adjustments for Lantau and urban taxis and that for NT taxis as well as findings of its study on overseas experience. According to the Administration, the taxi trade generally considered that the fare adjustments had created a positive impact on the income of drivers, though trade members were still divided on whether legislation should be enacted to regulate charging according to meters. With regard to fare bargaining, the Administration considered that the problem had become alleviated since the implementation of new fares and the discounts offered to passengers had dwindled, reflecting reduced room for the operation of discount taxis.

14. Members were sceptical about the Administration's view that the taxi fare adjustments had created a positive impact on the income of drivers and addressed the problem of discount gang activities. These members disagreed that the issue of discount gang activities could be tackled through the market mechanism, as the media reported that there was still room for the operation of discount gangs. They considered that if the Administration did not pursue legislation due to enforcement difficulty envisaged, the Administration should explore what other feasible measures could be taken to ensure a level playing field for the operating environment of the taxi trade.

15. The Administration pointed out that making fare bargaining a criminal offence would be controversial and enacting legislation was not an effective means to eliminate the problem of fare bargaining. The Administration considered that the problem of fare bargaining had already been alleviated since the implementation of new fares. The Administration considered it necessary to assess if the amendment of legislation could effectively address the problem of fare bargaining, and whether this would at the same time cause trouble to the public and jeopardize the flexibility of taxi operation. The Administration also invited members to note that as overseas experience had shown, generally no concrete enforcement action had been taken against undercharging in those selected cities where regulatory requirements of charging according to meters were in place. The Administration considered that the root of the problem of fare bargaining laid in the imbalance between supply and demand in the market. Therefore, the most effective solution was to tackle this issue through the market mechanism by suitably adjusting the fare structure and level to bring them in line with market conditions.

Latest developments

16. At the Panel meeting on 22 May 2009, Hon WONG Kwok-hing proposed and members agreed to hold a further meeting on 23 September 2009 to listen to the views of members of the taxi trade on the impact of taxi fare adjustments on them and measures to tackle the problem of discount gangs.

Relevant papers

17. A list of relevant papers is in the **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
21 September 2009

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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

Regulation of charging taxi fares according to meters

List of relevant papers

Meeting date	Committee	Papers/Items
26 March 2004	Panel on Transport	Administration's paper on "Measures to Curb Taxi Touting Activities" LC Paper No. CB(1)1346/03-04(04) http://www.legco.gov.hk/yr03-04/english/papers/tp/papers/tp0326cb1-1346-4e.pdf Minutes of meeting LC Paper No. CB(1)1555/03-04 http://www.legco.gov.hk/yr03-04/english/papers/tp/minutes/tp040326.pdf
30 June 2008	Panel on Transport	Administration's paper on "Review of Taxi Operation" LC Paper No. CB(1)1977/07-08(02) http://www.legco.gov.hk/yr07-08/english/papers/tp/papers/tp0630cb1-1977-2-e.pdf Minutes of meeting LC Paper No. CB(1)2301/07-08 http://www.legco.gov.hk/yr07-08/english/papers/tp/minutes/tp080630.pdf
21 October 2008	Subcommittee on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2008	Paper on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2008 prepared by the Legislative Council Secretariat (Background brief) LC Paper No. CB(1)69/08-09 http://www.legco.gov.hk/yr08-09/english/hc/sub_leg/sc01/papers/sc011021cb1-69-e.pdf
N/A	Subcommittee on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2008	Report of the Subcommittee on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2008 to the Legislative Council on 26 November 2008 LC Paper No. CB(1)217/08-09 http://www.legco.gov.hk/yr08-09/english/hc/sub_leg/sc01/reports/sc011126cb1-217-e.pdf
11 December 2008	Panel on Transport	Minutes of meeting LC Paper No. CB(1)1642/08-09 http://www.legco.gov.hk/yr08-09/english/papers/tp/minutes/tp081642.pdf

		ls/tp/minutes/tp20081211.pdf
22 May 2009	Panel on Transport	Administration's paper on "Changes in operating conditions after taxi fare adjustments and overseas study and discussions with taxi trade on charging according to meters" LC Paper No. CB(1)1613/08-09(03) http://www.legco.gov.hk/yr08-09/english/panels/tp/papers/tp0522cb1-1613-3-e.pdf