

LEGISLATIVE COUNCIL BRIEF

Road Traffic Ordinance
(Chapter 374)

NEW TERRITORIES TAXI FARE ADJUSTMENT APPLICATION

ROAD TRAFFIC (PUBLIC SERVICE VEHICLES) (AMENDMENT) REGULATION 2009

INTRODUCTION

At the meeting of the Executive Council on 13 January 2009, the Council ADVISED and the Chief Executive ORDERED that under section 7(1C) of the Road Traffic Ordinance (Cap. 374), the Road Traffic (Public Service Vehicles) (Amendment) Regulation 2009 (“the Amendment Regulation”), at Annex A, be made to give effect to an adjustment in the fares for the hiring of New Territories (“NT”)¹ taxis, with effect from 16 January 2009.

A

JUSTIFICATIONS

(A) CONSIDERATION OF TAXI FARE ADJUSTMENT APPLICATION

2. Taxis provide a personalised point-to-point public transport service. The taxi fare adjustment application is 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;

¹ For the purposes of this paper –

- “New Territories (“NT”) taxi” means a taxi licensed under the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg. E) to be available for hire or to carry passengers within the NT.

- (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;
- (d) the likely public acceptability of the proposed fares; and
- (e) taxi fare structure should be “front-loaded” and thereafter on a varying descending scale of incremental charges².

3. The scale of fares for the hiring of taxis is specified in Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D) (“the principal Regulations”) and is determined by the Chief Executive in Council, subject to negative vetting by the Legislative Council.

(B) THE APPLICATION AND ASSESSMENTS

4. The Transport Department (“TD”) received the following fare adjustment application from 16 NT taxi associations –

NT Taxis	Fares	
	Existing	The Application
Flagfall charge for the first 2 km or any part thereof	\$13.5	\$15.5
Incremental charge for every subsequent 200 m or part thereof and for every waiting period of 1 minute or part thereof	\$1.20	Before 8 km \$1.30
		8 km onwards \$1.00
Average rate of fare increase	---	+9.49 %

Financial Position of the NT Taxi Trade

5. NT taxi fares were last increased in April 1997, by an average

² This revised policy on taxi fare structure is recommended by the Transport Advisory Committee in its Report on the Review of Taxi Operation issued on 5 June 2008.

rate of 7.4% prior to the \$1 flagfall fare increase³ effected in February 2008. There are at present 2,838 NT taxis and about 5,200 NT taxi operators⁴, 58% of which are rentee-drivers, 19% are rentor-owners and 23% are owner-drivers.

(a) Operating Revenue

6. The changes in the average monthly operating revenue received by a NT taxi rentee-driver since the last fare increase in 1997 and since 2004, i.e. the year of conversion to liquefied petroleum gas (“LPG”) operation, are set out below -

NT Taxis					
Year	1997	2004	2008 (Jan – Jun)	Change 2008 (Jan – Jun) over 1997	Change 2008 (Jan – Jun) over 2004
Average total monthly revenue ⁵	\$17,837	\$14,121	\$16,786	-\$1,051 <i>or</i> -5.9% (-3.0%) ⁶	+\$2,665 <i>or</i> +18.9% (+8.8%) ⁶

(b) Operating Costs

7. For a rentee-driver, compared with the average monthly position in 1997, the average monthly operating costs in the first half of 2008 have decreased by 5.6%. Among various cost components, fuel cost and rental cost have decreased by 10.7% and 2.1% respectively. As compared with the position in 2004, the average monthly operating costs have increased by 29.1%, with fuel costs up by 131.2% and rental costs up by 1%.

8. For a taxi owner, the average monthly parking, maintenance and miscellaneous costs together in the first half of 2008 have increased by 0.3% since 1997 and by 14.8% since 2004.

³ The \$1 flagfall fare increase was proposed by the trade as a temporary measure to partially address the impact of rising operating costs on the trade.

⁴ There are three types of taxi operators, namely rentee-drivers, owner-drivers and rentor-owners. **Rentee-drivers** hire taxis from taxi owners. **Owner-drivers** own and drive the taxis themselves; some also rent their taxis out to rentee-drivers for one shift. **Rentor-owners** do not drive their taxis but rent them out to drivers.

⁵ Per NT taxi rentee-driver. Usually one NT taxi is operated by two drivers per day.

⁶ Percentage in brackets refers to change in real terms.

(c) Net Income

9. The average monthly net income of a NT taxi operator in 1997, 2004 and January to June 2008 is set out below -

NT Taxi	Average monthly net income		
	Rentee-driver	Owner-driver	Rentor-owner
1997	\$8,230	\$9,700	\$2,271
2004	\$7,102	\$11,303	\$4,507
Jan – Jun 2008	\$7,721	\$11,420	\$2,818
<i>Change over 1997 (in real terms)</i>	<i>-6.2% (-3.3%)</i>	<i>+17.7% (+21.3%)</i>	<i>+24.1% (+27.9%)</i>
<i>Change over 2004 (in real terms)</i>	<i>+8.7% (-0.5%)</i>	<i>+1.0% (-7.5%)</i>	<i>-37.5% (-42.8%)</i>

10. The general price level has decreased by 2.95 % since 1997 and increased by 9.26% since 2004.

11. The above analysis shows that there have been substantial increases in the operating costs of the trade in recent years, exerting considerable pressure on its operating conditions. The average monthly net income of a NT taxi rentee-driver in the first half of 2008 was lower than that in both 1997 and 2004 in real terms. There is a case for them to propose fare adjustment.

Approved Fare Adjustment for NT Taxis

12. Under the application, the average rate of fare increase is 9.49%. Having regard to all the relevant factors mentioned in paragraph 2 above, including changes in the operating costs and revenue, public acceptability and the Transport Advisory Committee (“TAC”)’s recommended revised taxi fare structure policy, the proposed rate of fare increase is considered to be on the high side and an average rate of fare increase of **4.95%** is approved. Details are set out below.

NT Taxis	Fares				
	Existing	The Application		Approved Fare Adjustment	
Flagfall charge for the first 2 km or any part thereof	\$13.5	\$15.5		\$14.5	
Incremental charge for every subsequent 200 m or part thereof and for every waiting period of 1 minute or part thereof	\$1.20	Before 8 km (i.e. \$54.5 ⁷)	\$1.30	<i>Before \$53.5 (8 km⁸)</i>	<i>\$1.30</i>
		8 km (i.e. \$54.5) onwards	\$1.00	<i>\$53.5 onwards</i>	<i>\$1.00</i>
Average rate of fare increase	---	+9.49%		+4.95%	

Estimated Impact of Approved Fare Adjustment on Passengers

13. The estimated impact on fares for trips of different journey distances⁹ is set out below.

Trip Distance	Existing Fare	The Application	Approved Fare Adjustment
Below 2km	\$13.5	\$15.5 (+14.8%)	\$14.5 (+7.4%)
8km	\$49.5	\$54.5 (+10.1%)	\$53.5 (+8.1%)
16.4km	\$100	\$96.5 (-3.5%)	\$95.5 (-4.5%)
33.1km	\$200	\$180 (-10%)	\$179.0 (-10.5%)
49.8km	\$300	\$263.5 (-12.2%)	\$262.5 (-12.5%)
Average rate of increase	---	+9.49%	+4.95%

⁷ This is the total fare, according to the fare scale proposed in the application, for a journey of 8 km if no charge for “waiting time” is incurred.

⁸ The total fare for a journey of 8 km will be \$53.5, according to the fare scale in the approved fare adjustment, if no charge for “waiting time” is incurred.

⁹ The estimation has not taken into account any “waiting time” charge that may be incurred in respect of a journey.

Level of Services

14. To monitor the service level of NT taxis, TD has conducted surveys at taxi stands and road sides in NT. The survey results show that the level of NT taxi services is generally adequate in catering for the passenger demand.

Fare Differential

15. The effect of the approved fare adjustment on the fare differentials¹⁰ is expected to be minimal. Existing fare differential between NT taxis and other public transport modes is 2.47. It is estimated that the differential will become 2.60 after the approved fare adjustment is implemented.

THE AMENDMENT REGULATION

16. The Amendment Regulation amends item 2a and 3(iii) of Schedule 5 to the principal Regulations to put into effect the approved fare adjustment in paragraph 12 above.

17. The Amendment Regulation will come into operation on the date of its gazettal (i.e. on 16 January 2009).

LEGISLATIVE TIMETABLE

18. The legislative timetable is as follows -

Publishing in the Gazette	16 January 2009
Effective date	16 January 2009
Tabling at the Legislative Council	4 February 2009

19. The new NT taxi fares will be implemented on the date of gazettal as the NT taxi trade is very concerned about their diminishing competitiveness in long-haul trips vis-a-vis urban taxis, since traditionally

¹⁰ Fare differentials refer to the ratio of the fare level of taxi to that of other public transport modes.

NT taxi fares were lower than urban taxi fares. After implementation of the approved option, NT taxi fares will be lower than urban taxi fares for all trips as in the past. The Legislative Council Panel on Transport (“Panel”) has indicated support for the new NT taxi fares to take effect upon gazettal.

IMPLICATIONS OF THE APPROVED FARE ADJUSTMENT

B

20. The Amendment Regulation has economic implications as set out at Annex B. It has no civil service, financial, productivity, environmental or sustainability implications. The approved fare adjustment is in conformity with the Basic Law, including the provisions concerning human rights. The Amendment Regulation will not affect the current binding effect of the Ordinance.

PUBLIC CONSULTATION

C

21. TAC was consulted on 22 December 2008 and supported the recommended increase. TAC considered that the Administration’s recommended option could maintain a balance between helping the taxi trades to cope with operation difficulties and catering for consumer interest. The detailed advice of the TAC is set out in its letter to the Secretary for Transport and Housing at Annex C. The Panel was consulted on 11 December 2008.

PUBLICITY

22. A press release will be issued in the afternoon of 13 January 2009. A spokesman will be available to handle media enquiries.

ENQUIRIES

23. For any enquiries, please contact Mr Don Ho, Assistant Commissioner for Transport at 2829 5208.

Transport and Housing Bureau
Transport Department
January 2009

**ROAD TRAFFIC (PUBLIC SERVICE VEHICLES)
(AMENDMENT) REGULATION 2009**

(Made by the Chief Executive in Council under section 7(1C) of the Road Traffic Ordinance (Cap. 374))

1. Taxi fares

Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D) is amended –

(a) in item 2a, by repealing everything from “\$13.50” to “thereafter.” and substituting –

“(A) \$14.50 for the first 2 kilometres or any part of those 2 kilometres;

(B) \$1.30 for every further 200 metres or any part of those 200 metres, until the chargeable amount reaches \$53.50; and

(C) \$1.00 for every 200 metres or any part of those 200 metres, after the chargeable amount has reached \$53.50.”;

(b) by repealing item 3(iii) and substituting –

“(iii) Taxis licensed to operate in the New Territories

(A) \$1.30 for every period of 1 minute, or any part of that period, during which the taxi is hired but not in motion, until the

chargeable
amount reaches
\$53.50; and
(B) \$1.00 for every
period of 1
minute, or any
part of that
period, during
which the taxi is
hired but not in
motion, after the
chargeable
amount has
reached
\$53.50.”.

Clerk to the Executive Council

COUNCIL CHAMBER

2009

Explanatory Note

This Regulation amends the Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D) (“principal Regulations”) to adjust certain

fares specified in Schedule 5 to the principal Regulations. Under the adjustment, for taxis licensed to operate in the New Territories –

- (a) the fare for the first 2 kilometres or any part of those 2 kilometres is increased from \$13.50 to \$14.50;
- (b) the fare for every further 200 metres or any part of those 200 metres is increased from \$1.20 to \$1.30, until the chargeable amount^{*T} reaches \$53.50;
- (c) the fare for every 200 metres or any part of those 200 metres is adjusted to \$1.00, after the chargeable amount^{*} has reached \$53.50;
- (d) the fare for every period of 1 minute, or any part of that period, during which the taxi is hired but not in motion is increased from \$1.20 to \$1.30, until the chargeable amount^{*} reaches \$53.50; and
- (e) the fare for every period of 1 minute, or any part of that period, during which the taxi is hired but not in motion is adjusted to \$1.00, after the chargeable amount^{*} has reached \$53.50.

* In this Explanatory Note, the expression “chargeable amount” (應收款額) means the amount of fares chargeable under Schedule 5 to the principal Regulations, as amended by this Regulation, but does not include any amount chargeable under item 4 of that Schedule.

Economic Implications

By reference to the weights of consumer spending on taxis in the Composite Consumer Price Index (CCPI), the proposal will only lead to an increase of the CCPI by only about 0.004 of a percentage point in 2009 (with the fare increase effective from January 2009). Taken together with the fare increases of Lantau and urban taxis in December 2008, the combined effect on CCPI in 2009 would still be rather insignificant, at around 0.03 of a percentage point.

2. Nevertheless, from the competition angle, the implementation of the new NT taxi fare structure would enable the NT taxi fares to align more with the market condition.



29 December 2008

Ms Eva Cheng, JP
Secretary for Transport and Housing
16/F, Murray Building
Garden Road
Central
Hong Kong

Dear Ms Cheng,

New Territories Taxi Fare Adjustment Application

This letter sets out Transport Advisory Committee's advice to the Chief Executive in Council ("CE-in-Council") on the fare adjustment application of the New Territories (NT) taxi trade.

In advising on the taxi fare adjustment application, TAC has taken into account 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 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;
- (d) the likely public acceptability of the proposed fares; and

- (e) taxi fare structure should be “front-loaded” and thereafter on a varying descending scale of incremental charges, as recommended by TAC in its Report on the Review of Taxi Operation issued on 5 June 2008.

Members noted that the operating costs of the NT taxi trade had been increasing in recent years, exerting pressure on the trade’s operating condition. The average monthly net income of NT taxi rentee-drivers in the first half of 2008 were lower than both in 2004 (the year of full conversion to LPG mode) and in 1997 (last year of fare increase prior to the \$1 flagfall charge increase in February 2008) in real terms. Other than the \$1 flagfall charge increase in early 2008, which was proposed by the trade as a temporary measure to partially offset the increase in operating costs pending their discussion on a longer-term fare restructuring proposal, the NT taxi fares have not been increased for over ten years while the general price level has increased.

On NT taxi trade’ application, TAC notes that the dividing line of 8km proposed by the NT taxi trade for the descending scale for incremental charge is similar to the 9km dividing line in the recently approved urban taxi fare adjustment and about 94% of NT taxi trips are of journey distances at or below 8km. TAC considers the proposed 8km dividing line for NT taxi fares acceptable. On the other hand, TAC considers that the proposed average fare increase rate of 9.49%, and the proposed flagfall charge increase of \$2 from \$13.5 to \$15.5 in the application are on the high side, having regard to public acceptability and changes in the revenue and operating costs of NT taxis. TAC is of the view that the Administration’s recommended option, which represents an average fare increase rate of 4.95% with a modest increase of \$1 in flagfall charge from \$13.5 to \$14.5, provides a better balance between the interests of the taxi trade and those of passengers.

Having taken into account all the relevant circumstances and information provided, TAC supports the Administration’s recommended option for NT taxi fare adjustment.

I would be grateful if you would kindly convey TAC's advice to the CE-in-Council for consideration. TAC's advice may be released for public information in due course after the Council's decision is announced.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Teresa Cheng', with a horizontal line underneath the name.

(Teresa Cheng)
Chairman
Transport Advisory Committee