

LEGISLATIVE COUNCIL BRIEF

Road Traffic Ordinance
(Chapter 374)

TAXI FARE INCREASE APPLICATIONS

ROAD TRAFFIC (PUBLIC SERVICE VEHICLES) (AMENDMENT) REGULATION 2011

INTRODUCTION

At the meeting of the Executive Council on 3 May 2011, the Council ADVISED and the Chief Executive ORDERED that the Road Traffic (Public Service Vehicles) (Amendment) Regulation 2011 (“the Amendment Regulation”), at **Annex A**, be made under section 7(1C) of the Road Traffic Ordinance (Cap. 374) to give effect to an increase in the fares for the hiring of urban, the New Territories (“NT”) and Lantau taxis¹ with effect from 10 July 2011.

JUSTIFICATIONS

(A) CONSIDERATION OF TAXI FARE INCREASE APPLICATIONS

2. Taxis provide a personalised point-to-point public transport service. Taxi fare increase applications are considered in accordance with the following guiding principles -

- (a) the need to ensure the financial viability of taxi operations, taking into consideration changes in revenue and operating costs;

¹ For the purposes of this paper –

- “NT taxi” means a taxi licensed to be available for hire or to carry passengers within the permitted area as specified in paragraph 1 of Schedule 7 to the Regulations;
- “Lantau taxi” means a taxi licensed to be available for hire or to carry passengers within the permitted area as specified in paragraph 2 of Schedule 7 to the Regulations; and
- “urban taxi” means a taxi that is licensed to be available for hire or to carry passengers, but does not include a NT taxi and a Lantau taxi.

- (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) that the taxi fare structure should be “front-loaded” and thereafter on a varying descending scale for incremental charges.

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 (“LegCo”).

(B) THE APPLICATIONS

4. The urban, NT and Lantau taxi trades submitted applications in September 2010 for an increase of the respective flagfall charges by \$2. They have not applied for changes to the incremental charges after flagfall, or charges for waiting time or any surcharges. Details of their applications are shown below -

	Flagfall charge for the first 2 km or any part thereof		
	Urban Taxi	NT Taxi	Lantau Taxi
Existing Fare	\$18	\$14.5	\$13
Trade’s Proposal	\$20	\$16.5	\$15
Average rate of fare increase²	5.15%	8.05%	4.11%

The taxi trades applied for the above fare increases on the grounds of increases in operating costs such as fuel cost, insurance cost, and vehicle maintenance cost.

² The average rate of fare increase is worked out on the basis of the average meter revenue figures obtained in the “taximeter reading surveys” conducted by the Transport Department. They are derived by summing up the change due to the \$2 increase in every trip length segment of the trip length distribution spectrum of an average taxi, assuming that there is no change in the number of trips and in the trip distribution of an average taxi after the fare increase. Although the amount of flagfall increase is the same for all 3 types of taxis, their rates of fare increase are different because of the difference in their respective trip length distributions.

(C) THE ADMINISTRATION'S ASSESSMENTS

5. As the taxi trades' proposals are to increase the flagfall charges only, the existing "front-loaded" taxi fare structure will remain unchanged. Further, the proposed fare increase would unlikely affect the current level of taxi service.

(1) Urban Taxis

Financial Position of the Urban Taxi Trade

6. Urban taxi fares were last increased in November 2008 by an average rate of 5.46%. There are at present 15,250 urban taxis and about 32,500 urban taxi operators³, 63% of whom are rentee-drivers, 24% are owner-drivers, and 13% are rentor-owners.

(a) Operating Revenues

The average monthly operating revenues received by urban taxi operators in 2009 and 2010 (Jan - Jun) are set out below -

Urban Taxis	Average monthly operating revenues		
	Rentee-drivers	Owner-drivers	Rentor-owners
2009	\$22,369	\$29,865	\$16,192
2010 (Jan - Jun)	\$22,715	\$30,207	\$16,192
Change over 2009 (in real terms)	+1.5% (-0.6%)	+1.1% (-1.0%)	0.0% ⁴ (-2.1%)

³ 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 rentee-drivers.

⁴ For rentor-owners, their average monthly revenue in 2010 (Jan - Jun) remained at the same level as that in 2009 as there had not been any change in rental.

(b) Operating Costs

The average monthly operating costs borne by urban taxi operators in 2009 and 2010 (Jan - Jun) are set out below -

Urban Taxis	Average monthly operating costs		
	Rentee-drivers ⁵	Owner-drivers ⁶	Rentor-owners ⁷
2009	\$10,872	\$9,259	\$7,784
2010 (Jan - Jun)	\$11,454	\$10,477	\$8,451
Change over 2009 (in real terms)	+5.4% (+3.1%)	+13.2% (+10.7%)	+8.6% (+6.2%)

(c) Net Income

The average monthly net income of urban taxi operators in 2009 and 2010 (Jan - Jun) are set out below -

Urban Taxis	Average monthly net income		
	Rentee-drivers	Owner-drivers	Rentor-owners
2009	\$11,497	\$20,606	\$8,408
2010 (Jan - Jun)	\$11,261	\$19,730	\$7,741
Change over 2009 (in real terms)	-2.1% (-4.2%)	-4.3% (-6.3%)	-7.9% (-9.9%)

The above information shows that there has been notable increase in the operating costs of urban taxis compared with 2009. The average monthly net income of the 3 types of operators of urban taxis in the first half of 2010 are lower than their respective levels in 2009 in both nominal and real terms. There is therefore a case for the urban taxi trade to propose fare increase.

Approved Fare Adjustment for Urban Taxis

7. Having considered all the relevant factors set out in paragraph 2 above, including the estimated operating revenues of the urban taxi operators with an increase of the flagfall charge by \$2, the upsurge in operating costs, public acceptability, and the views of the LegCo Panel on Transport

⁵ For rentee-drivers, their monthly operating costs comprise fuel and rental.

⁶ For owner-drivers, their monthly operating costs comprise fuel, insurance, vehicle maintenance, depreciation and miscellaneous items like licence fees.

⁷ For rentor-owners, their monthly operating costs comprise insurance, vehicle maintenance, depreciation and miscellaneous items like licence fees.

(“Panel”) and the Transport Advisory Committee (“TAC”), we recommended and the Chief Executive in Council approved a \$2 increase in flagfall charge for urban taxis.

Estimated Impact of the Fare Increase on Fare Differential

8. In order to avoid creating excessive demand for taxi services and to ensure smooth traffic flow, it has been the Government’s policy to maintain a reasonable fare differential between taxis and other modes of public transport. As regards urban taxis, the existing fare differential⁸ is 4.84. It is estimated that the differential will become around 5.11 upon the implementation of the approved fare increase. The change in the fare differential brought by the fare increase is considered minimal.

(2) NT Taxis

Financial Position of the NT Taxi Trade

9. NT taxi fares were last increased in January 2009 by an average rate of 4.95%. There are at present 2,838 NT taxis and about 5,200 NT taxi operators, 58% of whom are rentee-drivers, 23% are owner-drivers, and 19% are rentor-owners.

(a) Operating Revenues

The average monthly operating revenues received by NT taxi operators in 2009 and 2010 (Jan - Jun) are set out below -

NT Taxis	Average monthly operating revenues		
	Rentee-drivers	Owner-drivers	Rentor-owners
2009	\$18,116	\$23,468	\$10,661
2010 (Jan - Jun)	\$19,145	\$24,501	\$10,661
Change over 2009	+5.7%	+4.4%	0.0% ⁹
(in real terms)	(+3.4%)	(+2.2%)	(-2.1%)

⁸ Fare differential refers to the ratio of the fare level of taxi to that of other public transport modes.

⁹ For rentor-owners, their average monthly revenue in 2010 (Jan – Jun) remained at the same level as that in 2009 as there had not been any change in rental.

(b) Operating Costs

The average monthly operating costs borne by NT taxi operators in 2009 and 2010 (Jan - Jun) are set out below -

NT Taxis	Average monthly operating costs		
	Rentee-drivers ¹⁰	Owner-drivers ¹¹	Rentor-owners ¹²
2009	\$8,351	\$9,474	\$7,656
2010 (Jan - Jun)	\$9,309	\$10,945	\$8,300
Change over 2009 (in real terms)	+11.5% (+9.1%)	+15.5% (+13.0%)	+8.4% (+6.1%)

(c) Net Income

The average monthly net income of NT taxi operators in 2009 and 2010 (Jan - Jun) are set out below -

NT Taxis	Average monthly net income		
	Rentee-drivers	Owner-drivers	Rentor-owners
2009	\$9,765	\$13,994	\$3,005
2010 (Jan – Jun)	\$9,836	\$13,556	\$2,361
Change over 2009 (in real terms)	+0.7% (-1.4%)	-3.1% (-5.2%)	-21.4% (-23.1%)

The above information shows that there has been notable increase in the operating costs of NT taxis compared with 2009. The average monthly net income of the 3 types of operators of NT taxis in the first half of 2010 are similar to or lower than their respective levels in 2009 in both nominal and real terms. There is therefore a case for the NT taxi trade to propose fare increase.

Approved Fare Adjustment for NT Taxis

10. Having considered all the relevant factors set out in paragraph 2 above, including the estimated operating revenues of the NT taxi operators with an increase of the flagfall charge by \$2, the upsurge in operating costs,

¹⁰ For rentee-drivers, their monthly operating costs comprise fuel and rental.

¹¹ For owner-drivers, their monthly operating costs comprise fuel, insurance, vehicle maintenance, depreciation and miscellaneous items like licence fees.

¹² For rentor-owners, their monthly operating costs comprise insurance, vehicle maintenance, depreciation and miscellaneous items like licence fees.

public acceptability, and the views of the Panel and TAC, we recommended and the Chief Executive in Council approved a \$2 increase in flagfall charge for NT taxis.

Estimated Impact of the Fare Increase on Fare Differential

11. The existing fare differential between NT taxis and other modes of public transport is 2.69. It is estimated that the differential will become 2.93 upon the implementation of the approved fare increase. The change in the fare differential brought by the fare increase is considered minimal.

(3) Lantau Taxis

Financial Position of the Lantau Taxi Trade

12. Lantau taxi fares were last increased in November 2008 by an average rate of 7.67%. There are at present 50 Lantau taxis and about 91 Lantau taxi operators, 55% of whom are rentee-drivers, 16% are owner-drivers, and 29% are rentor-owners. Unlike their urban and NT counterparts whom operate two shifts daily, the Lantau taxis operate only one shift per day.

(a) Operating Revenues

The average monthly operating revenues received by Lantau taxi operators in 2009 and 2010 (Jan - Jun) are set out below -

Lantau Taxis	Average monthly operating revenues		
	Rentee-drivers	Owner-drivers	Rentor-owners
2009	\$38,488	\$34,332	\$16,828
2010 (Jan - Jun)	\$38,938	\$34,716	\$16,828
Change over 2009 (in real terms)	+1.2% (-1.0%)	+1.1% (-1.1%)	0.0% ¹³ (-2.1%)

¹³ For rentor-owners, their average monthly revenue in 2010 (Jan – Jun) remained at the same level as that in 2009 as there had not been any change in rental.

(b) Operating Costs

The average monthly operating costs borne by Lantau taxi operators in 2009 and 2010 (Jan - Jun) are set out below -

Lantau Taxis	Average monthly operating costs		
	Rentee-drivers¹⁴	Owner-drivers¹⁵	Rentor-owners¹⁶
2009	\$19,150	\$13,141	\$9,927
2010 (Jan - Jun)	\$20,350	\$14,939	\$10,695
Change over 2009 (in real terms)	+6.3% (+4.0%)	+13.7% (+11.2%)	+7.7% (+5.4%)

(c) Net Income

The average monthly net income of Lantau taxi operators in 2009 and 2010 (Jan - Jun) are set out below -

Lantau Taxis	Average monthly net income		
	Rentee-drivers	Owner-drivers	Rentor-owners
2009	\$19,338	\$21,191	\$6,901
2010 (Jan - Jun)	\$18,588	\$19,777	\$6,133
Change over 2009 (in real terms)	-3.9% (-5.9%)	-6.7% (-8.7%)	-11.1% (-13.0%)

The above information shows that there has been notable increase in the operating costs of the Lantau taxis compared with 2009. The average monthly net income of the 3 types of operators of Lantau taxis in the first half of 2010 are lower than their respective levels in 2009 in both nominal and real terms. There is therefore a case for the Lantau taxi trade to propose fare increase.

Approved Fare Adjustment for Lantau Taxis

13. Having considered all the relevant factors set out in paragraph 2 above, including the estimated operating revenues of the Lantau taxi operators with an increase of the flagfall charge by \$2, the upsurge in

¹⁴ For rentee-drivers, their monthly operating costs comprise fuel and rental.

¹⁵ For owner-drivers, their monthly operating costs comprise fuel, insurance, vehicle maintenance, depreciation and miscellaneous items like licence fees.

¹⁶ For rentor-owners, their monthly operating costs comprise insurance, vehicle maintenance, depreciation and miscellaneous items like licence fees.

operating costs, public acceptability, and the views of the Panel and TAC, we recommended and the Chief Executive in Council approved a \$2 increase in flagfall charge for Lantau taxis.

Estimated Impact of the Fare Increase on Fare Differential

14. The existing fare differential between Lantau taxis and other modes of public transport is 4.26. It is estimated that the differential will become 4.46 upon the implementation of the approved fare increase. The change in the fare differential brought by the fare increase is considered minimal.

THE AMENDMENT REGULATION

A 15. The Amendment Regulation amends the fare scales of the urban, NT and Lantau taxis stipulated in items 1, 2, 2a and 3 of Schedule 5 to the principal Regulations (see **Annex A**) to put into effect the approved fare increases .

LEGISLATIVE TIMETABLE

16. The legislative timetable is as follows -

Publication in the Gazette	13 May 2011
Tabling at the LegCo for negative vetting	18 May 2011
Commencement date	10 July 2011

IMPLICATIONS OF THE APPROVED FARE INCREASE

B 17. The Amendment Regulation has sustainability implications and economic implications as set out at **Annex B**. It has no civil service, financial, productivity or environmental implications. The proposal 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

18. TAC was consulted on 22 February 2011. TAC noted the operating environment and the financial position of the taxi operators. Having regard to the fact that taxis provide an optional personalised point-to-point public transport service for passengers who are in a relatively better position to afford such a service, and that the increasing operating costs could adversely affect the livelihood of taxi drivers, TAC supported the Administration's recommendation that the respective flagfall charges of the urban, NT and Lantau taxis be increased by \$2 as proposed by the taxi operators. The detailed advice of TAC is set out in its letter to the Secretary for Transport and Housing at **Annex C**. The Panel was consulted on 17 December 2010.

PUBLICITY

19. A press release will be issued in the afternoon of 3 May 2011. A spokesman will be available to handle media enquiries.

ENQUIRIES

20. Any enquiries concerning the brief can be directed to the following officer –

Mr Albert Yuen
Assistant Commissioner for Transport
Telephone No.: 2829 5208

Transport and Housing Bureau
May 2011

**Road Traffic (Public Service Vehicles) (Amendment)
Regulation 2011**

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

1. Commencement

This Regulation comes into operation on 10 July 2011.

2. Road Traffic (Public Service Vehicles) Regulations amended

The Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D) are amended as set out in section 3.

3. Schedule 5 amended (Taxi fares)

(1) Schedule 5, item 1(A)—

Repeal

“\$18.00”

Substitute

“\$20.00”.

(2) Schedule 5, item 1(B) and (C)—

Repeal

“\$70.50”

Substitute

“\$72.50”.

(3) Schedule 5, item 2(A)—

Repeal

“\$13.00”

Substitute

“\$15.00”.

(4) Schedule 5, item 2(B) and (C)—

Repeal

“\$130.00”

Substitute

“\$132.00”.

(5) Schedule 5, item 2a(A)—

Repeal

“\$14.50”

Substitute

“\$16.50”.

(6) Schedule 5, item 2a(B) and (C)—

Repeal

“\$53.50”

Substitute

“\$55.50”.

(7) Schedule 5, item 3(i)(A) and (B)—

Repeal

“\$70.50”

Substitute

“\$72.50”.

(8) Schedule 5, item 3(ii)(A) and (B)—

Repeal

“\$130.00”

Substitute

“\$132.00”.

(9) Schedule 5, item 3(iii)(A) and (B)—

Repeal

“\$53.50”

Substitute

“\$55.50”.

Clerk to the Executive Council

COUNCIL CHAMBER

2011

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—

- (a) for taxis licensed to operate in Hong Kong and Kowloon—
 - (i) the fare for the first 2 kilometres or any part of those 2 kilometres is increased from \$18.00 to \$20.00;
 - (ii) the chargeable amount* at which the fare for every further 200 metres or any part of those 200 metres changes from \$1.50 to \$1.00 is correspondingly increased from \$70.50 to \$72.50; and
 - (iii) the chargeable amount* at which the fare for waiting time (the time during which the taxi is hired but not in motion) changes from \$1.50 to \$1.00 for every period of 1 minute or any part of that period is also increased from \$70.50 to \$72.50;
- (b) for taxis licensed to operate within Lantau—
 - (i) the fare for the first 2 kilometres or any part of those 2 kilometres is increased from \$13.00 to \$15.00;
 - (ii) the chargeable amount* at which the fare for every further 200 metres or any part of those 200 metres changes from \$1.30 to \$1.20 is correspondingly increased from \$130.00 to \$132.00; and
 - (iii) the chargeable amount* at which the fare for waiting time changes from \$1.30 to \$1.20 for every period of 1 minute or any part of that period is also increased from \$130.00 to \$132.00; and
- (c) for taxis licensed to operate in the New Territories—

- (i) the fare for the first 2 kilometres or any part of those 2 kilometres is increased from \$14.50 to \$16.50;
- (ii) the chargeable amount* at which the fare for every further 200 metres or any part of those 200 metres changes from \$1.30 to \$1.00 is correspondingly increased from \$53.50 to \$55.50; and
- (iii) the chargeable amount* at which the fare for waiting time changes from \$1.30 to \$1.00 for every period of 1 minute or any part of that period is also increased from \$53.50 to \$55.50.

* 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.

SUSTAINABILITY IMPLICATIONS

The fare increase helps relieve the climbing operating costs pressure being faced by taxi drivers. Nevertheless, it would bring extra cost to taxi passengers, in particular to those middle-income groups who use taxi services more frequently.

ECONOMIC IMPLICATIONS

The fare increase for the urban, NT and Lantau taxis with effect from 10 July 2011 is estimated to lift the Composite Consumer Price Index (CCPI) by 0.02 of a percentage point in 2011 and by another 0.02 of a percentage point in 2012. The consumer price inflation impact, however, tends to vary among the three Consumer Price Index (CPI) sub-indices¹, ranging from 0.01 of a percentage point for CPI(A) and CPI(B) to 0.02 for CPI(C) in both 2011 and 2012, depending on which expenditure brackets the affected households belong to. Meanwhile, the taxi fare increase apart, there are other fare/price increases which when taken together, will add to the living cost. And this is of rising concern to the community at large.

¹ The CPI(A), CPI(B) and CPI(C) are compiled based on the expenditure patterns of households in the relatively low, medium and high expenditure ranges. The average monthly household expenditure covered by the three 2004/05-based sub-indices, i.e. CPI(A), CPI(B) and CPI(C), ranges from \$4,000 - \$15,499, \$15,500 - \$27,499, and \$27,500 - \$59,999 respectively.



本會檔號 Our Ref.

來函檔號 Your Ref.

28 March 2011

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

Dear Ms Cheng,

Taxi Fare Increase Applications

The urban, New Territories (“NT”) and Lantau taxi operators submitted applications in September 2010 for an increase of the respective flagfall charges by \$2. The applications were considered by the Transport Advisory Committee (“TAC”) at its meeting held on 22 February 2011. This letter sets out TAC’s advice on these applications.

Basis of TAC’s consideration

2. When considering the taxi fare increase applications, 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) that the taxi fare structure should be “front-loaded” and thereafter on a varying descending scale for incremental charges.

Financial Position of the taxi operators since the last fare increases

3. The urban and Lantau taxi fares were last increased in November 2008, by an average rate of 5.46% and 7.67% respectively. NT taxi fares were last increased in January 2009 by an average rate of 4.95%. Members noted that there had been notable increase in the operating costs of the urban, NT and Lantau taxis since 2009. The average monthly net income of the three types of operators (i.e. rentee-drivers, owner-drivers and rentor-owners) of the urban, NT and Lantau taxis in the first half of 2010 were mostly lower than their respective levels in 2009 in both nominal and real terms.

Estimated Impact of the Proposed Fare Increase on the Financial Position of the taxi operators

4. In view of the upward inflationary trend, Members accepted that the operating costs of the urban, NT and Lantau taxis will continue to rise considerably in 2011. In particular, the price of Liquefied Petroleum Gas has risen to a high level in January 2011. The taxi insurance premium has also soared substantially. Members noted that even with an increase in the respective flagfall charges by \$2, the net income of the three types of operators of the urban, NT and Lantau taxis in 2011 could generally be lower than their respective levels in 2009 in both nominal and real terms.

Fare Differential

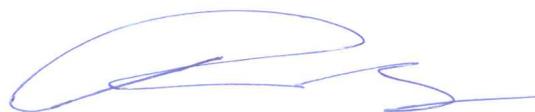
5. In order to avoid excessive demand for taxi services and to ensure smooth traffic flow, it has been the Government’s policy to maintain a reasonable fare differential between taxis and other modes of public transport. Members noted that the respective change of the fare differential brought by the fare increases for the urban, NT and Lantau taxis is minimal.

TAC's views

6. Members considered that taxis provide an optional personalised point-to-point public transport service for passengers who are in a relatively better position to afford such a service. They agreed that the increasing operating costs could adversely affect the livelihood of taxi drivers and reckoned that the taxi operators might not be much better off even with the implementation of the proposed fare increases. Having regard to public acceptability and all other relevant factors, Members supported the Administration's recommendation that the respective flagfall charges of the urban, NT and Lantau taxis be increased by \$2 as proposed by the taxi operators.

7. I would be grateful if you would convey TAC's advice to the Chief Executive-in-Council for consideration. I confirm that TAC's advice as contained in this letter may be released for public information after the Chief Executive-in-Council's decision is announced.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Rimsky Yuen, S.C.', written over a horizontal line.

(Rimsky Yuen, S.C.)

Chairman

Transport Advisory Committee