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Panel on Transport
Meeting on 25 March 2014

Updated background brief on private driving instructors' licences

Purpose

This paper provides updated background information on the existing mechanism for issuing private driving instructors' ("PDIs") licences. It also summarizes the major views and concerns expressed by members of the Panel on Transport ("the Panel") and a Legislative Council ("LegCo") Member on the subject.

Background

Existing mechanism

2. The Administration has been adopting a "two-pronged approach" in respect of driver training. On the one hand, it promotes off-street driver training through the establishment of driving schools ("DSs"). On the other hand, it maintains a sufficient supply of PDIs for on-street driver training.

3. A review on the driver training policy was conducted in 1999 which concluded that the "two-pronged approach" should be maintained. With the support of the majority of the trade, the Administration amended the Road Traffic (Driving Licences) Regulations (Cap. 374B) in 2000 and 2001 to provide legal basis for the regrouping of PDI licences from seven groups into three groups as follows:

Group 1: Private Cars and Light Goods Vehicles;

Group 2: Light Buses and Buses; and

Group 3: Medium Goods Vehicles, Heavy Goods Vehicles and
Articulated Vehicles

According to the Administration, the above grouping was drawn up after careful consideration of the driver training skills for each group of vehicles taking into account comments from the trade. There are common features for vehicles within each group – Group 1 vehicles are small vehicles; Group 2 vehicles are vehicles for the carriage of a substantial number of passengers; and Group 3 vehicles are vehicles for the carriage of goods.

4. The Administration agreed with the trade in 1999 that the number of valid PDI licences prevailing at the time for the three groups of PDIs (i.e. 1 050 for Group 1, 130 for Group 2 and 230 for Group 3) would be used as *benchmarks*. The trigger point for the Commissioner for Transport ("C for T") to consider issuing new PDI licences for a particular group is when the number of valid licences falls below the benchmark by 10%.

5. C for T reviews biennially the need to issue new PDI licences. In so doing, the following factors as set out in the Road Traffic (Driving Licences) Regulations (Cap. 374B) should be taken into account:

- (a) prevailing traffic conditions;
- (b) policy adopted for driver training; and
- (c) demand of learner drivers to receive driving instructions from PDIs in respect of that group of motor vehicles.

6. Since 1999, reviews have been conducted in 2002, 2004, 2006, 2008 and 2012. A total of 173 new Group 1 PDI licences were issued in 2002 while no new PDI licence was considered necessary following the reviews in 2004 and 2006. In the 2008 review, C for T decided to issue a total of 460 new PDI licences. Also in the 2008 review, the Administration noted some suggestions from members of the trade that the regime of issuing PDI licences should be revamped.

7. It has to be noted that there were a total of 420 Restricted Driving Instructors ("RDIs") employed by the designated DSs as at June 2013. The RDIs were issued with driving instructors' licences that were subject to a condition that they should only give driving instruction on behalf of a DS. Upon receipt of application from a DS for driving instructors' licences for RDIs, the Transport Department ("TD") would assess the applications taking into account factors like supply and demand for driver training and wastage for RDIs and so on.

8. In view of the above, TD subsequently conducted review of the grouping of PDIs making reference to overseas experience. The Administration reported in March 2010 to the Panel on the findings of the

review and presented three preliminary options that the Administration intended to further consult the trade. They were, in brief, as follows:

Option A:	To maintain the status quo. The benchmark for each PDI group and the mechanism for issuing new PDI licences would remain unchanged. C for T would biennially review the need to issue new PDI licences for individual PDI groups.
Option B:	To lift the benchmark for individual groups but maintain a benchmark for the total number of PDI licences.
Option C:	To lift the benchmark for all PDI groups. Any interested person may apply to take the necessary tests to become a PDI of a particular group if they meet the specified qualifications and requirements.

9. Views received by the Administration were found to be divergent and consultation with the industry continued.

10. In July 2013, the Panel was briefed by the Administration on the outcomes of the biennial review in 2012 on the need to issue new PDI licences and review on the issuing mechanism of PDI licences. The Panel noted that TD had conducted a review on the *numbers* of valid PDI licences in the three groups and it was found that the average number of the licences in the three groups in the latter half of 2012 was all below 90% of the benchmarks mentioned in paragraph 4. Subsequently, TD decided to issue 212, 32 and 43 new PDI licences for Group 1, Group 2 and Group 3 respectively. At the moment, the new licences to be issued are not yet opened for application.

11. The Panel was also consulted by the Administration regarding a total of nine options and deputations were invited to offer their views on 19 July 2013 on the options, which were variations of the move to maintain or change the benchmarks, to merge the three PDI groups, to give priorities to the RDIs or PDIs and to open up the market. The nine options are set out in **Appendix I**.

12. Views from the deputations and the Panel members expressed in the July 2013 meeting were also diverse.

Allocation of new licences

13. In accordance with section 21(A) of the Regulations, C for T should invite the public to apply for new PDI licences. If the total number of applications received exceeds the number of new PDI licences to be issued, TD will draw lot to determine the order in which the applications are to be dealt with. C for T has no power to issue direct new PDI licence or to give any priority to any individual or particular groups of individuals.

Major concerns raised by the Panel

14. Members of the Fourth and Fifth LegCos have been following the issue and expressed their concerns and views at the Panel meetings held on 22 May 2009, 30 March 2010 and 19 July 2013. Deputations from the trade were also invited to present their opinions at the March 2010 and July 2013 meetings of the Panel. Their views are summarized in the ensuing paragraphs.

Views of PDI trade

15. Some members of PDI trade considered that the current issuing mechanism of PDI licences was inflexible and failed to recognize the experiences of existing PDIs. Whilst some representatives preferred the status quo option, some members of the trade suggested to merge the three existing PDI groups into one ("3 in 1" proposal). Under the "3 in 1" proposal, all existing holders of PDI licences, irrespective of the groups they belonged to, would be allowed to give driving instructions to learner drivers of other groups, so long as they possessed the driving licences of the relevant vehicle classes.

16. The Panel noted that the "3 in 1" proposal was similar to option B as proposed by the Administration in 2010. Some Panel members expressed support for this option which would enhance flexibility of PDI trade in tackling problems such as the decreasing demand for driving instructions which led to decrease in income. But some members reminded the Administration that adoption of the "3 in 1" proposal might entail a higher threshold for entry into PDI market because new entrants of PDI trade would then be required to possess driving licences of all vehicle classes under the existing three PDI groups.

17. The Panel urged the Administration to have due regard to the impact of each of the three options on the structure of the trade and on the livelihood of PDIs and examine the options in close consultation with the trade.

Demand made by holders of the RDI licences

18. All along serving and former RDIs demanded removal of the restriction imposed on their RDI licences and the issue of PDI licences to them, on the ground that they had comparable driving training skills and teaching experience as PDIs. Some Panel members pointed out that the restrictions imposed on the RDIs had facilitated monopoly of the designated DSs, which would not actively seek to enhance the remuneration package of the driving instructors.

Opening up of the driving training market

19. Some members proposed to open up the market by cancelling the "two-pronged" approach and allowing holders of RDIs to obtain or apply for PDI licences to recognize their experience and qualifications. There were views expressed at the March 2010 and July 2013 Panel meetings that limiting the number of PDI licences by legislation was unnecessary and that the quota of issuing PDI licences should be removed because it was not common to impose a ceiling for other professional jobs like lawyers and doctors and limiting the numbers of PDI licences would only serve to keep fees high to the detriment of learner drivers. A few members suggested that to be fair and open, all eligible people should be allowed to apply for PDI licences and they should be free to opt for staying in the business or not.

20. However, the Administration explained that while recognizing the call from learner drivers to issue more PDI licences to enhance competition in the driver training market to keep fees low, it was necessary to open up the market in a *progressive* manner with care, in recognition that supply of PDIs already exceeded demand of learner drivers to receive driving instructions from PDIs.

21. Some members agreed that care should be exercised in determining whether to issue new PDI licences. They pointed out that the problem with the driver training market was that supply exceeded demand, in particular where Group 2 and Group 3 vehicles were concerned because the employment opportunities and income of the professional drivers concerned were on the decrease.

22. The Administration had indicated at the July 2013 meeting that they had an open mind on the issue. It was explained that the road traffic in Hong Kong was extremely busy. Under the current "two-pronged" approach driver training policy, off-street driver training was provided through the establishment of DSs on one hand and a steady supply of PDIs, who could provide on-street driver training, was maintained on the other. In light of the views collected from the

members and deputations on the nine options proposed, the Administration would further analyze the options concerned and work out the relevant implementation details. In doing so, the Administration would adopt a fair and transparent policy, recognize the experience of serving driving instructors and allow new entrants to the trade.

Relevant question raised at Council meeting and other relevant papers

23. Hon Ronny TONG Ka-wah raised a question relating to the policy for driver training at the Council meeting of 22 June 2011. He sought clarification from the Administration on whether the Hong Kong School of Motoring ("HKSM") which operated three DSs was given preferential treatment to strengthen its advantageous position. He also asked whether the 50-odd driving instructors with 10 to 20 years' instructing experience who were made redundant by HKSM when the number of learner drivers at HKSM dropped significantly in 2003 would be re-employed or not when there was an increase in learner drivers at HKSM. He stressed that as the abovesaid driving instructors' licences, only entitled them to give driving training within HKSM, their licences became invalid after they were made redundant, and thus they could not give driving training in the private market. As a result the livelihood of their families was affected. He asked if the Administration would consider opening up the market for driving training services.

24. The hyperlinks to the question and the Administration's response, together with other relevant papers, are in **Appendix II**.

Latest developments

25. The Administration plans to consult the Panel on the way forward in respect of TD's review on the issuing mechanism of PDI licences at the Panel meeting to be held on 25 March 2014.

**Consultations with the relevant driving instructor trade
Administration's nine proposed options in 2013**

<i>Administration's proposed options</i>	
Option 1:	Maintaining the status quo (i.e. both the existing issuing mechanism of new private driving instructors' ("PDIs") licences and the benchmarks of the three groups remain unchanged).
Option 2:	Maintaining the benchmarks; new PDI licences for issue to be equally shared among (i) PDIs of other groups; (ii) serving and former Restricted Driving Instructors ("RDIs"); and (iii) members of the public.
Option 2 (A):	Similar to Option 2 but grouping PDIs and RDIs into one group; new PDI licences to be equally shared by (i) driving instructors (including PDIs of other groups, serving and former RDIs); and (ii) members of the public.
Option 3:	Maintaining the benchmarks; new PDI licences to be equally shared among (i) PDIs of other groups and (ii) serving and former RDIs. If there are any PDI licences in any group left after applications by PDIs and RDIs, members of the public will be invited to apply.
Option 3 (A):	Similar to Option 3 but grouping PDIs and RDIs into one group.
Option 4:	Maintaining the benchmarks; new PDI licences to be issued to serving and former RDIs only.
Option 5:	Maintaining the benchmarks; new PDI licences to be issued under this review to be equally shared among (i) PDIs of other groups and (ii) serving and former RDIs. All new PDI licences to be issued in next biennial review would be allocated to members of the public and so forth.

<i>Administration's proposed options</i>	
Options 5(A):	Similar to Option 5, but grouping PDIs and RDIs into one group.
Option 6:	Maintaining the existing grouping of PDIs but removing the benchmarks of each group (i.e. no restriction on the number of PDI licences). Interested and qualified person can apply for PDI licence at any time.

Appendix II

Private driving instructors' licences

List of relevant papers

Date of meeting	Minutes/Paper	LC Paper No.
28.5.1999	Administration's paper on private driving instructor licence	CB(1)1370/98-99(08) http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/tp28054j.htm
	Minutes of meeting	CB(1)1823/98-99 http://www.legco.gov.hk/yr98-99/english/panels/tp/minutes/tp280599.htm
26.11.1999	Administration's paper on driving training	CB(1)419/99-00(04) http://www.legco.gov.hk/yr99-00/english/panels/tp/papers/a419e04.pdf
	Minutes of meeting	CB(1)869/99-00 http://www.legco.gov.hk/yr99-00/english/panels/tp/minutes/tp261199.pdf
28.4.2000	Administration's paper on driver improvement scheme	CB(1)1435/99-00(04) http://www.legco.gov.hk/yr99-00/english/panels/tp/papers/a1234e05.pdf
	Minutes of meeting	CB(1)1663/99-00 http://www.legco.gov.hk/yr99-00/english/panels/tp/minutes/tp280400.pdf
4.11.2005	Administration's paper on private driving instructor's licences	CB(1)1829/04-05(01) http://www.legco.gov.hk/yr04-05/english/panels/tp/papers/tp0624cb1-1829-1e.pdf

Date of meeting	Minutes/Paper	LC Paper No.
	Minutes of meeting	CB(1)452/05-06 http://www.legco.gov.hk/yr05-06/english/panels/tp/minutes/tp051104.pdf
24.2.2006	Administration's paper on private driving instructor's licences	CB(1)1829/04-05(01) http://www.legco.gov.hk/yr04-05/english/panels/tp/papers/tp0624cb1-1829-1e.pdf
	Minutes of meeting	CB(1)1234/05-06 http://www.legco.gov.hk/yr05-06/english/panels/tp/minutes/tp060224.pdf
22.5.2009	Administration's paper on private driving instructor's licences	CB(1)1333/08-09(01) http://www.legco.gov.hk/yr08-09/english/panels/tp/papers/tp0424cb1-1333-1-e.pdf
	Minutes of meeting	CB(1)2756/08-09 http://www.legco.gov.hk/yr08-09/english/panels/tp/minutes/tp20090522.pdf
30.3.2010	Administration's paper on private driving instructors' licences	CB(1)1451/09-10(03) http://www.legco.gov.hk/yr09-10/english/panels/tp/papers/tp0330cb1-1451-3-e.pdf
	Minutes of meeting	CB(1)1996/09-10 http://www.legco.gov.hk/yr09-10/english/panels/tp/minutes/tp20100330.pdf
22.6.2011	Hon Ronny TONG Ka-wah raised a question on policy for driver training and Hong Kong School of Motoring	http://www.info.gov.hk/gia/general/201106/22/P201106220157.htm

Date of meeting	Minutes/Paper	LC Paper No.
19.7.2013	Administration's paper on private driving instructors' licences	CB(1)1512/12-13(02) http://www.legco.gov.hk/yr12-13/english/panels/tp/papers/tp0719cb1-1512-2-e.pdf
	Minutes of meeting	CB(1)480/13-14 http://www.legco.gov.hk/yr12-13/english/panels/tp/minutes/tp20130719.pdf

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