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**Transport and
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Secretary General
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Ms Sophie LAU)
[Fax: 2978 7569]

3 March 2014

Dear Ms LAU,

Thank you for your letter of 16 January, enclosing with it the letter of 6 January from the Hon TANG Ka-piu to the Chairman of the Panel on Transport of the Legislative Council (“LegCo”) about taxi fuel surcharge. Further to our earlier acknowledgement, please find below a detailed reply.

Under the current public transport policy, railway is the backbone of our public transport system complemented by other public transport modes. With a daily patronage of about one million, taxis play a key role by providing personalised, point-to-point and more comfortable public transport service to the community.

We understand that the taxi trade is concerned about the price level of Liquefied Petroleum Gas (“LPG”). The recent adjustments of LPG price at dedicated and non-dedicated LPG stations are a result of changes in international LPG price. International fuel price would fluctuate owing to

seasonal and other factors (for instance, fuel price is usually higher in winter due to keen demand). Following the decrease in international LPG price, the retail price at dedicated LPG stations in March is about \$5.27 per litre on average. This represents a drop of about 14% as compared with about \$6.15 per litre on average in January. Meanwhile, the Environmental Protection Department has as per the trade's request written to the operators of dedicated and non-dedicated LPG stations to explain to them the trade's operating situation and suggest the operators to take appropriate facilitative measures (such as lowering the retail price as soon as possible when the international LPG price comes down).

When considering taxi fare increase applications, the Government would take into account the changes of all cost and revenue items, including fuel cost. This arrangement is able to cater for and balance the needs of different stakeholders and actual operating situation. Further, changes in taxi fare level are subject to LegCo's scrutiny. The introduction of a taxi fuel surcharge would give rise to another way for increasing taxi fare in addition to the established fare adjustment mechanism for flag-fall and incremental charges. Taxi fuel surcharge would also transfer the burden to absorb fuel cost fluctuation directly to taxi passengers. Besides, a fuel surcharge which would be triggered and adjusted automatically according to fuel price is a deviation from the established practice under which taxi fare adjustments are subject to the Government's approval and LegCo's vetting. Since the introduction of a fuel surcharge involves complicated policy and operational issues, we have to consider the matter carefully. The Government will continue to listen to the views of the trade and members of the public. At the same time, the Transport Department has begun studying the experience of implementing and not implementing a taxi fuel surcharge elsewhere, as well as the implications of having such a surcharge, etc.. The Department would consider how to follow up having regard to the outcome of the study. It is estimated that preliminary outcome of the study would be available by around the end of this year.

We fully understand the trade's concern over the fluctuation of LPG price. The relevant bureaux/departments will continue to liaise with the trade and listen to their views. The latest taxi fare adjustment took effect in December last year. This should help relieve the pressure of rising operating costs faced by taxi operators. The Government will continue to help improve

the operating environment for the taxi trade through various measures to facilitate its healthy development.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jason Chan', with a small dot at the end.

(Jason CHAN)

for Secretary for Transport and Housing

c.c.

Commissioner for Transport

(Attn: Mr Albert SU)

Director of Environmental Protection

(Attn: Mr W.C. MOK)