

LEGISLATIVE COUNCIL BRIEF

Road Traffic Ordinance
(Chapter 374)

TAXI FARE INCREASE APPLICATIONS

ROAD TRAFFIC (PUBLIC SERVICE VEHICLES) (AMENDMENT) REGULATION 2013

INTRODUCTION

A At the meeting of the Executive Council on 24 September 2013, the Council ADVISED and the Chief Executive ORDERED that the Road Traffic (Public Service Vehicles) (Amendment) Regulation 2013 (“the Amendment Regulation”), at **Annex A**, be made under section 7(1C) of the Road Traffic Ordinance (Cap. 374) (“the Ordinance”) to give effect to an increase of \$2 in flagfall and of \$0.1 in the incremental charge¹ after flagfall for the hiring of urban, the New Territories (“NT”) and Lantau taxis², and an increase of \$1 for NT taxis for (a) every article of baggage carried, (b) every animal or bird carried, and (c) every hiring arranged through telephone booking.

¹ The incremental charge applies to each jump per 200 meters travelled for:

- (a) 2 km to 9 km for urban taxis;
- (b) 2 km to 8 km for NT taxis; and
- (c) 2 km to 20 km for Lantau taxis.

² There are a total of 18,138 taxis. 15,250 are urban taxis, 2,838 are NT taxis and 50 are Lantau taxis:

- (a) an “urban taxi” means a taxi licensed under the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E) to be available for hire or to carry passengers, but does not include a Lantau taxi and a NT taxi;
- (b) a “NT taxi” means a taxi licensed under the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E) to be available for hire or to carry passengers within the permitted area as specified in paragraph 1 of Schedule 7 to Cap. 374E; and
- (c) a “Lantau taxi” means a taxi licensed under the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E) to be available for hire or to carry passengers within the permitted area as specified in paragraph 2 of Schedule 7 to Cap. 374E.

About 65% of the taxis are owned by individuals whilst the remaining by companies. Based on the number of taxi driver identity plates issued, there are currently about 57,000 drivers.

2. The above fare increase in flagfall and first stage incremental charge per jump after flagfall would result in an average fare increase of 7.11% for urban taxis, 9.04% for NT taxis and 8.83% for Lantau taxis. Subject to negative vetting by the Legislative Council (“LegCo”), the new fares will take effect from 8 December 2013.

JUSTIFICATIONS

(A) Government’s Consideration

3. Taxis provide a personalised point-to-point public transport service. Taxi fare increase applications have all along been considered in accordance with the following guiding principles –

- (a) the need to ensure the financial viability of taxi operation, taking into consideration changes in revenue and operating costs;
- (b) the need to maintain a satisfactory level of taxi service in terms of vehicle 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) the taxi fare structure – it should be “front-loaded” with a varying descending scale for incremental charges.

4. The scale of fares for the hiring of taxis is specified in Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D) (“the Regulations”). It may be amended by the Chief Executive in Council, subject to negative vetting by LegCo.

(B) The Applications from the Taxi Trades

5. The urban, NT and Lantau taxi trades submitted applications in January 2013 for increasing their respective flagfall and incremental charges. Details of the applications and Government's recommended fare increases are set out as follows –

	Urban Taxi	NT Taxi	Lantau Taxi
	Flagfall charge for the first 2 km or any part thereof		
Existing fare	\$20	\$16.5	\$15
The trade's proposal	\$22 (+\$2)	\$19 (+\$2.5)	\$18 (+\$3)
Government's recommendation	\$22 (+\$2)	\$18.5 (+\$2)	\$17 (+\$2)
	Incremental charge for each 200 m travelled (i.e. per jump) after flagfall		
	2-9 km	2-8 km	2-20 km
Existing fare	\$1.5 per jump	\$1.3 per jump	\$1.3 per jump
The trade's proposal	\$1.6 per jump (+\$0.1)	\$1.4 per jump (+\$0.1)	\$1.4 per jump (+\$0.1)
Government's recommendation	\$1.6 per jump (+\$0.1)	\$1.4 per jump (+\$0.1)	\$1.4 per jump (+\$0.1)
	After 9 km	After 8 km	After 20 km
Existing fare	\$1 per jump	\$1 per jump	\$1.2 per jump
The trade's proposal	No change	No change	No change
Government's recommendation	No change	No change	No change

	Urban Taxi	NT Taxi	Lantau Taxi
Average rate of proposed fare increase under the trade's proposal³	7.11%	10.71%	10.63%
Average rate of proposed fare increase under Government's recommendation	7.11%	9.04%	8.83%

At the same time, the NT taxi trade applied for increasing the additional fares for (a) every article of baggage carried, (b) every animal or bird carried, and (c) every hiring arranged through telephone booking by \$1 each (i.e. from \$4 to \$5) to align the levels of these additional fares with those of urban and Lantau taxis.

6. The applications are made on grounds of rising operating costs, in particular the rising fuel expenses, vehicle maintenance and repair expenses, and insurance premium since the last taxi fare increase in July 2011 as a result of increase in wages (for example, of vehicle mechanics), prices of spare parts and inflation⁴.

(C) The Government's Assessment

(1) Urban Taxis

Financial Position of the Urban Taxi Trade

7. Urban taxi fares were last increased in July 2011 by an average rate of 5.15%.

³ The average rate of fare increase is worked out on the basis of the average meter revenue figures obtained from the taximeter reading surveys conducted by the Transport Department. Each rate is derived from summing up the changes due to the relevant fare increase in every trip length segment of the trip length distribution spectrum of a taxi of the type concerned, on the assumption that there is no change in the number of trips and in the trip distribution of the taxi after the fare increase. Even for the same amount of flagfall increase, the average rate of fare increase for the three types of taxis would be different because of the difference in their respective trip length distributions.

⁴ As compared to 2011 (July to December) (i.e. the first six months following the last fare increase), the Composite Consumer Price Index ("CCPI") rose by 3.4% in 2012 (whole year) and 6.7% in 2013 (January to March) respectively.

(a) Operating Revenue⁵

The average monthly operating revenue received by urban taxi operators from 2011 (July to December) to 2013 (January to March) is set out below –

Urban Taxis	Average monthly operating revenue		
	Rentee-drivers ⁶	Owner-drivers ⁶	Rentor-owners ⁶
2011 (Jul – Dec) ⁷	\$24,498	\$33,998	\$18,990
2012 (whole year)	\$24,944	\$34,704	\$19,510
Nominal change over 2011 (Jul – Dec) ⁸	+1.8%	+2.1%	+2.7%
Change in real terms ⁹	(-1.5%)	(-1.3%)	(-0.6%)
2013 (Jan – Mar)	\$25,026	\$35,137	\$20,212
Nominal change over 2011 (Jul – Dec) ¹⁰	+2.2%	+3.4%	+6.4%
Change in real terms ¹¹	(-4.2%)	(-3.1%)	(-0.2%)

⁵ Operating revenue includes fare receipts, tips, rental income and income from advertisement.

⁶ For the three types of taxi operators, their monthly revenue comprises:

- (a) rentee-drivers (who hire taxis from taxi owners) - fare receipts and tips;
- (b) owner-drivers (who own and drive the taxis themselves; some also rent their taxis out to rentee-drivers for one shift) - fare receipts, tips, advertising income, and rental income if they rent out the taxis; and
- (c) rentor-owners (who do not drive their taxis but rent them out to rentee-drivers) - rental income and advertising income.

⁷ July 2011 to December 2011 is the first six months following the last fare increase.

⁸ This is the change between 2012 (whole year) and 2011 (July to December) without taking into account inflation.

⁹ This is the change between 2012 (whole year) and 2011 (July to December) with inflation, at 3.4%, taken into account.

¹⁰ This is the change between 2013 (January to March) and 2011 (July to December) without taking into account inflation.

¹¹ This is the change between 2013 (January to March) and 2011 (July to December) with inflation, at 6.7%, taken into account.

(b) Operating Costs

The average monthly operating costs borne by urban taxi operators from 2011 (July to December) to 2013 (January to March) are set out below –

Urban Taxis	Average monthly operating costs		
	Rentee-drivers ¹²	Owner-drivers ¹²	Rentor-owners ¹²
2011 (Jul – Dec)	\$12,324	\$10,034	\$6,271
2012 (whole year)	\$12,818	\$10,351	\$6,300
Nominal change over 2011 (Jul – Dec)	+4.0%	+3.2%	+0.5%
Change in real terms	(+0.6%)	(-0.2%)	(-2.8%)
2013 (Jan – Mar)	\$13,351	\$10,790	\$6,480
Nominal change over 2011 (Jul – Dec)	+8.3%	+7.5%	+3.3%
Change in real terms	(+1.6%)	(+0.8%)	(-3.1%)

(c) Net Income

The average monthly net income of urban taxi operators from 2011 (July to December) to 2013 (January to March) is set out below –

Urban Taxis	Average monthly net income		
	Rentee-drivers	Owner-drivers	Rentor-owners
2011 (Jul to Dec)	\$12,174	\$23,964	\$12,719
2012 (whole year)	\$12,126	\$24,353	\$13,210
Nominal change over 2011 (Jul – Dec)	-0.4%	+1.6%	+3.9%
Change in real terms	(-3.6%)	(-1.7%)	(+0.5%)
2013 (Jan – Mar)	\$11,675	\$24,347	\$13,732
Nominal change over 2011 (Jul – Dec)	-4.1%	+1.6%	+8.0%
Change in real terms	(-10.1%)	(-4.7%)	(+1.2%)

¹² For the three types of taxi operators, their monthly operating costs comprise:

- (a) rentee-drivers - fuel and rental;
- (b) owner-drivers - fuel, vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees; and
- (c) rentor-owners - vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

The above information shows that since the last fare increase in July 2011, whilst the gross operating revenue of urban taxi rentee-drivers and owner-drivers has gone up in nominal terms, the increase has been more than offset by a rise in the average monthly operating costs and inflation. The resultant average monthly net income in real terms earned by these drivers, who rely heavily on fare revenue, is lower than its respective level in 2011 (July to December). There is therefore a case for the urban taxi trade to propose a fare increase.

Approved Fare Adjustment for Urban Taxis

8. In accordance with the various principles listed in paragraph 3 above, we have, in processing the fare increase application, taken into account that the expected monthly net income in real terms earned by urban taxi drivers upon the increase (7.11%) applied for by the trade is still lower than its respective level after the last fare increase in July 2011; that the operating costs of the taxi trade are expected to continue to rise; that the forecast increase in general price level from the last fare increase in July 2011 to early 2014 will be 10.14%; and that the increase in Median Monthly Household Income (“MMHI”) from the last fare increase to the first quarter of 2013 is 10%. We also took note that the LegCo Panel on Transport (“the Transport Panel”) and the Transport Advisory Committee (“TAC”) had no objection to the fare increase applications. Having regard to the various factors, we recommended and the Chief Executive in Council approved a \$2 increase in flagfall and a \$0.1 increase in the first stage incremental charge per jump, representing an average increase of 7.11%, for urban taxis as applied for by the trade.

Estimated Impact of the Fare Increase on Fare Differential

9. 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. For urban taxis, the existing fare differential is 4.78. It is estimated that the fare differential will become 5.54 after the approved fare increase is implemented. The change of the fare differential brought by the fare increase is considered minimal.

(2) NT Taxis

Financial Position of the NT Taxi Trade

10. NT taxi fares were last increased in July 2011 by an average rate of 8.05%.

(a) Operating Revenue

The average monthly operating revenue received by NT taxi operators from 2011 (July to December) to 2013 (January to March) is set out below–

NT Taxis	Average monthly operating revenue		
	Rentee-drivers	Owner-drivers	Rentor-owners
2011 (Jul – Dec)	\$21,561	\$27,801	\$12,480
2012 (whole year)	\$22,012	\$28,512	\$13,000
Nominal change over 2011 (Jul – Dec)	+2.1%	+2.6%	+4.2%
Change in real terms	(-1.2%)	(-0.8%)	(+0.8%)
2013 (Jan – Mar)	\$22,396	\$29,156	\$13,520
Nominal change over 2011 (Jul – Dec)	+3.9%	+4.9%	+8.3%
Change in real terms	(-2.6%)	(-1.7%)	(+1.6%)

(b) Operating Costs

The average monthly operating costs borne by NT taxi operators from 2011 (July to December) to 2013 (January to March) are set out below–

NT Taxis	Average monthly operating costs		
	Rentee-drivers	Owner-drivers	Rentor-owners
2011 (Jul – Dec)	\$10,296	\$9,934	\$5,540
2012 (whole year)	\$10,868	\$10,433	\$5,622
Nominal change over 2011 (Jul – Dec)	+5.6%	+5.0%	+1.5%
Change in real terms	(+2.1%)	(+1.6%)	(-1.8%)
2013 (Jan – Mar)	\$11,388	\$11,053	\$5,856
Nominal change over 2011 (Jul – Dec)	+10.6%	+11.3%	+5.7%
Change in real terms	(+3.7%)	(+4.3%)	(-0.9%)

(c) Net Income

The average monthly net income of NT taxi operators from 2011 (July to December) to 2013 (January to March) is set out below–

NT Taxis	Average monthly net income		
	Rentee-drivers	Owner-drivers	Rentor-owners
2011 (Jul to Dec)	\$11,265	\$17,867	\$6,940
2012 (whole year)	\$11,144	\$18,079	\$7,378
Nominal change over 2011 (Jul – Dec)	-1.1%	+1.2%	+6.3%
Change in real terms	(-4.3%)	(-2.1%)	(+2.8%)
2013 (Jan – Mar)	\$11,008	\$18,103	\$7,664
Nominal change over 2011 (Jul – Dec)	-2.3%	+1.3%	+10.4%
Change in real terms	(-8.4%)	(-5.0%)	(+3.5%)

The above information shows that since the last fare increase in July 2011, whilst the gross operating revenue of NT taxi rentee-drivers and owner-drivers has gone up in nominal terms, the increase has been more than offset by a rise in the average monthly operating costs and inflation. The resultant average monthly net income in real terms earned by these drivers, who rely heavily on fare revenue, is lower than its respective level in 2011 (July to December). There is therefore a case for the NT taxi trade to propose a fare increase.

Approved Fare Adjustment for NT Taxis

11. Nevertheless, in accordance with the various principles listed in paragraph 3 above, and considering the 10.71% average increase proposed by the trade is higher than the forecast increase in general price level (10.14%) and the increase in MMHI (10%) mentioned in paragraph 8 above, we are of the view that the increase in flagfall for NT taxis should be lower than the level applied for by the trade. We recommended and the Chief Executive in Council approved a \$2 increase in flagfall (instead of \$2.5 proposed by the trade) and a \$0.1 increase in the first stage incremental charge per jump for NT taxis, bringing the average increase to 9.04%. In addition, we recommended and the Chief Executive in Council approved an

increase in the additional fares for NT taxis for (a) every article of baggage carried, (b) every animal or bird carried, and (c) every hiring arranged through telephone booking by \$1 each (i.e. from \$4 to \$5).

Estimated Impact of the Fare Increase on Fare Differential

12. The existing fare differential between NT taxis and other public transport modes is 2.71. It is estimated that the fare differential will become 3.05 after the approved fare increase is implemented. The change of the fare differential brought by the fare increase is considered minimal.

(3) Lantau Taxis

Financial Position of the Lantau Taxi Trade

13. Lantau taxi fares were last increased in July 2011 by an average rate of 4.11%.

(a) Operating Revenue

The average monthly operating revenue received by Lantau taxi operators from 2011 (July to December) to 2013 (January to March) is set out below–

Lantau Taxis	Average monthly operating revenue		
	Rentee-drivers	Owner-drivers	Rentor-owners
2011 (Jul – Dec)	\$22,768	\$31,268	\$17,000
2012 (whole year)	\$23,528	\$32,241	\$17,425
Nominal change over 2011 (Jul – Dec)	+3.3%	+3.1%	+2.5%
Change in real terms	(0%)	(-0.3%)	(-0.8%)
2013 (Jan – Mar)	\$22,584	\$31,584	\$18,000
Nominal change over 2011 (Jul – Dec)	-0.8%	+1.0%	+5.9%
Change in real terms	(-7.0%)	(-5.3%)	(-0.7%)

(b) Operating Costs

The average monthly operating costs borne by Lantau taxi operators from 2011 (July to December) to 2013 (January to March) are set out below–

Lantau Taxis	Average monthly operating costs		
	Rentee-drivers	Owner-drivers	Rentor-owners
2011 (Jul – Dec)	\$12,288	\$13,851	\$7,771
2012 (whole year)	\$12,738	\$14,442	\$7,897
Nominal change over 2011 (Jul – Dec)	+3.7%	+4.3%	+1.6%
Change in real terms	(+0.3%)	(+0.9%)	(-1.7%)
2013 (Jan – Mar)	\$12,650	\$14,777	\$8,328
Nominal change over 2011 (Jul – Dec)	+2.9%	+6.7%	+7.2%
Change in real terms	(-3.5%)	(0%)	(+0.5%)

(c) Net Income

The average monthly net income of Lantau taxi operators from 2011 (July to December) to 2013 (January to March) is set out below–

Lantau Taxis	Average monthly net income		
	Rentee-drivers	Owner-drivers	Rentor-owners
2011 (Jul – Dec)	\$10,480	\$17,417	\$9,229
2012 (whole year)	\$10,790	\$17,799	\$9,528
Nominal change over 2011 (Jul – Dec)	+3.0%	+2.2%	+3.2%
Change in real terms	(-0.4%)	(-1.1%)	(-0.1%)
2013 (Jan – Mar)	\$9,934	\$16,807	\$9,672
Nominal change over 2011 (Jul – Dec)	-5.2%	-3.5%	+4.8%
Change in real terms	(-11.1%)	(-9.5%)	(-1.7%)

The above information shows that since the last fare increase in July 2011, the average monthly net income of Lantau taxi rentee-drivers and owner-drivers in 2013 (January to March) is lower than the respective level in 2011 (July to December) in both nominal and real terms. There is therefore a case for the Lantau taxi trade to propose a fare increase.

Approved Fare Adjustment for Lantau Taxis

14. Nevertheless, in accordance with the various principles listed in paragraph 3 above, and considering the 10.63% average increase proposed by the trade is higher than the forecast increase in general price level (10.14%) and the increase in MMHI (10%) mentioned in paragraph 8 above, we are of the view that the increase in flagfall for Lantau taxis should be lower than the level applied for by the trade. We recommended and the Chief Executive in Council approved a \$2 increase in flagfall (instead of \$3 proposed by the trade) and a \$0.1 increase in the first stage incremental charge per jump for Lantau taxis, bringing the average increase to 8.83%.

Estimated Impact of the Fare Increase on Fare Differential

15. The existing fare differential between Lantau taxis and other public transport modes is 4.63. It is estimated that the fare differential will become 5.25 after the approved fare increase is implemented. The change of the fare differential brought by the fare increase is considered minimal.

THE AMENDMENT REGULATION

16. The Amendment Regulation amends the fare scales of the urban, NT and Lantau taxis stipulated in items 1, 2, 2a, 3, 4(i)(b), 4(ii)(b) and 4(vii)(b) of Schedule 5 to the Regulations (see **Annex A**) to put into effect the approved increases. Because of the increase in incremental charge after flagfall, consequential amendments on the charge for the waiting time¹³ are also required.

LEGISLATIVE TIMETABLE

17. The legislative timetable will be as follows –

Publication in the Gazette	11 October 2013
Tabling at the LegCo for negative vetting	16 October 2013
Effective date	8 December 2013

¹³ The law also provides for the same amount of incremental charges for the waiting time, of every minute.

IMPLICATIONS OF THE APPROVED FARE INCREASE

B 18. The sustainability and economic implications of the Amendment Regulation are set out at **Annex B**. It has no civil service, financial, productivity, environmental, or family implications. The Amendment Regulation 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 19. The Transport Panel was consulted on the trades' applications on 21 June 2013. The panel noted that the taxi trades were facing increasing operating costs, and did not object to the fare increases. Separately, TAC was consulted on 30 July 2013. TAC supported the Government's recommendation, noting that fare increases as recommended would help improve the income of driver groups, and that the recommended fare increases were moderate and would be acceptable to the public. The detailed advice of TAC is set out in its letter to the Secretary for Transport and Housing at **Annex C**.

PUBLICITY

20. A press release will be issued on 24 September 2013. A spokesperson will be available to handle media enquiries.

ENQUIRIES

21. Any enquiries on this brief can be addressed to the following officer –

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

Transport and Housing Bureau
24 September 2013

Road Traffic (Public Service Vehicles) (Amendment) Regulation 2013

(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 8 December 2013.
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—
Repeal
“[regs. 2, 47 & 62]”
Substitute
“[regs. 2, 47 & 62 & Sch. 9]”.
 - (2) Schedule 5, item 1(A)—
Repeal
“\$20.00”
Substitute
“\$22.00”.
 - (3) Schedule 5, item 1(B)—
Repeal
“\$1.50”
Substitute

- “\$1.60”.
- (4) Schedule 5, item 1(B)—
Repeal
“\$72.50”
Substitute
“\$78.00”.
 - (5) Schedule 5, item 1(C)—
Repeal
“\$72.50”
Substitute
“\$78.00”.
 - (6) Schedule 5, item 2(A)—
Repeal
“\$15.00”
Substitute
“\$17.00”.
 - (7) Schedule 5, item 2(B)—
Repeal
“\$1.30”
Substitute
“\$1.40”.
 - (8) Schedule 5, item 2(B)—
Repeal
“\$132.00”
Substitute
“\$143.00”.

- (9) Schedule 5, item 2(C)—
Repeal
 “\$132.00”
Substitute
 “\$143.00”.
- (10) Schedule 5, item 2a(A)—
Repeal
 “\$16.50”
Substitute
 “\$18.50”.
- (11) Schedule 5, item 2a(B)—
Repeal
 “\$1.30”
Substitute
 “\$1.40”.
- (12) Schedule 5, item 2a(B)—
Repeal
 “\$55.50”
Substitute
 “\$60.50”.
- (13) Schedule 5, item 2a(C)—
Repeal
 “\$55.50”
Substitute
 “\$60.50”.
- (14) Schedule 5, item 3(i)(A)—

- Repeal**
 “\$1.50”
Substitute
 “\$1.60”.
- (15) Schedule 5, item 3(i)(A)—
Repeal
 “\$72.50”
Substitute
 “\$78.00”.
- (16) Schedule 5, item 3(i)(B)—
Repeal
 “\$72.50”
Substitute
 “\$78.00”.
- (17) Schedule 5, item 3(ii)(A)—
Repeal
 “\$1.30”
Substitute
 “\$1.40”.
- (18) Schedule 5, item 3(ii)(A)—
Repeal
 “\$132.00”
Substitute
 “\$143.00”.
- (19) Schedule 5, item 3(ii)(B)—
Repeal

“\$132.00”

Substitute

“\$143.00”.

(20) Schedule 5, item 3(iii)(A)—

Repeal

“\$1.30”

Substitute

“\$1.40”.

(21) Schedule 5, item 3(iii)(A)—

Repeal

“\$55.50”

Substitute

“\$60.50”.

(22) Schedule 5, item 3(iii)(B)—

Repeal

“\$55.50”

Substitute

“\$60.50”.

(23) Schedule 5, item 4(i)(b)—

Repeal

“\$4.00”

Substitute

“\$5.00”.

(24) Schedule 5, item 4(ii)(b)—

Repeal

“\$4.00”

Substitute

“\$5.00”.

(25) Schedule 5, item 4(vii)(b)—

Repeal

“\$4.00”

Substitute

“\$5.00”.

Clerk to the Executive Council

COUNCIL CHAMBER

2013

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 \$20.00 to \$22.00;
 - (ii) the fare for every further 200 metres or any part of those 200 metres is increased from \$1.50 to \$1.60 until the chargeable amount referred to in sub-subparagraph (iii), as amended by this Regulation, is reached;
 - (iii) the chargeable amount (at which the fare for every further 200 metres or any part of those 200 metres changes from \$1.60 to \$1.00) is increased from \$72.50 to \$78.00;
 - (iv) the fare for waiting time is increased from \$1.50 to \$1.60 for every period of 1 minute or any part of that period until the chargeable amount referred to in sub-subparagraph (v), as amended by this Regulation, is reached; and
 - (v) the chargeable amount (at which the fare for waiting time changes from \$1.60 to \$1.00 for every period of 1 minute or any part of that period) is correspondingly increased from \$72.50 to \$78.00;
- (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 \$15.00 to \$17.00;
 - (ii) the fare for every further 200 metres or any part of those 200 metres is increased from \$1.30 to \$1.40 until the chargeable amount referred to in sub-subparagraph (iii), as amended by this Regulation, is reached;
 - (iii) the chargeable amount (at which the fare for every further 200 metres or any part of those 200 metres changes from \$1.40 to \$1.20) is increased from \$132.00 to \$143.00;
 - (iv) the fare for waiting time is increased from \$1.30 to \$1.40 for every period of 1 minute or any part of that period until the chargeable amount referred to in sub-subparagraph (v), as amended by this Regulation, is reached; and
 - (v) the chargeable amount (at which the fare for waiting time changes from \$1.40 to \$1.20 for every period of 1 minute or any part of that period) is correspondingly increased from \$132.00 to \$143.00; 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 \$16.50 to \$18.50;
 - (ii) the fare for every further 200 metres or any part of those 200 metres is increased from \$1.30 to \$1.40 until the chargeable amount referred to in sub-subparagraph (iii), as amended by this Regulation, is reached;

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- (iii) the chargeable amount (at which the fare for every further 200 metres or any part of those 200 metres changes from \$1.40 to \$1.00) is increased from \$55.50 to \$60.50;
 - (iv) the fare for waiting time is increased from \$1.30 to \$1.40 for every period of 1 minute or any part of that period until the chargeable amount referred to in sub-subparagraph (v), as amended by this Regulation, is reached;
 - (v) the chargeable amount (at which the fare for waiting time changes from \$1.40 to \$1.00 for every period of 1 minute or any part of that period) is correspondingly increased from \$55.50 to \$60.50; and
 - (vi) the additional fares for any of the following are increased from \$4.00 to \$5.00—
 - (A) every article of baggage carried;
 - (B) every animal or bird carried;
 - (C) every hiring arranged through telephone booking.
2. The references to chargeable amount in paragraph 1 above do not include any amount chargeable under item 4 (additional fares) of Schedule 5 to the principal Regulations.
3. This Regulation also makes a minor textual amendment.

SUSTAINABILITY IMPLICATIONS

The fare increase helps relieve the mounting pressure brought by rising operating costs being faced by taxi operators and improve the financial position of particularly the frontline drivers. Nevertheless, the fare increase would bring extra cost to taxi passengers, in particular to those middle-income groups who use taxi services more frequently.

ECONOMIC IMPLICATIONS

With taxi fares accounting for a weighting of 0.5% in CCPI, the approved increases for the urban, NT and Lantau taxis with effect from 8 December 2013 would have a negligible impact on CCPI inflation in 2013, and would lift the CCPI by 0.03 of a percentage point in 2014. The consumer price inflation impact, however, tends to vary among the three Consumer Price Index (“CPI”) sub-indices¹, ranging from 0.02 of a percentage point for CPI(A) and CPI(B) to 0.04 for CPI(C) in 2014, depending on the expenditure brackets to which the affected households belong. The increase in the fares for (a) every article of baggage carried, (b) every animal or bird carried and (c) every hiring arranged through telephone booking by \$1 each for NT taxis should not result in any material additional impact on inflation.

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 2009/10-based sub-indices, i.e. CPI(A), CPI(B) and CPI(C), ranges from \$4,500 - \$18,499, \$18,500 - \$32,499, and \$32,500 - \$65,999 respectively.



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26 August 2013

Professor the Honourable Anthony Cheung, GBS, JP
Secretary for Transport and Housing
22/F, East Wing, Central Government Offices
2 Tim Mei Avenue
Tamar
Hong Kong

Dear Professor Cheung,

Taxi Fare Increase Applications

The urban, New Territories (“NT”) and Lantau taxi trades submitted fare increase applications to Government in January 2013. Specifically, they applied to increase flagfall by \$2, \$2.5 and \$3 respectively. They also sought to increase the first stage incremental charge after flagfall by \$0.1¹. The average proposed fare increase rates come to 7.11% for urban taxis, 10.71% for NT taxis, and 10.63% for Lantau taxis. At the same time, the NT taxi trade requested to have a \$1 increase in the additional fares for every article of baggage carried, every animal or bird carried, and every hiring arranged through telephone booking to bring these charges in line with those of urban and Lantau taxis. The applications were considered by the Transport Advisory Committee (“TAC”) at its meeting held on 30 July 2013. This letter sets out TAC’s advice on them.

¹ The incremental charge applies to each jump per 200 meters travelled for :

- 2 km to 9 km for urban taxis;
- 2 km to 8 km for NT taxis; and
- 2 km to 20 km for Lantau taxis.

Basis of TAC's consideration

2. When considering the taxi fare increase applications, TAC acknowledged that taxis provided a personalised point-to-point public transport service, and took into account all relevant matters including the following guiding principles -

- (a) the need to ensure the financial viability of taxi operation, taking into consideration changes in revenue and operating costs;
- (b) the need to maintain a satisfactory level of taxi service in terms of vehicle 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) the taxi fare structure: it should be “front-loaded” with a varying descending scale for incremental charges.

Financial position of the taxi operators since the last fare increase

3. The urban, NT and Lantau taxi fares were last increased in July 2011, by an average rate of 5.15%, 8.05% and 4.11% respectively. TAC Members noted that the current fare increase applications were made on the grounds of rising operating costs, in particular those arising from fuel expenses, vehicle maintenance and repair expenses, and insurance premium since the last fare increase. Whilst the gross operating revenue of the overwhelming majority of frontline drivers has gone up, the increase has been offset by a rise in operating costs and inflation. The resultant average monthly net income in January – March 2013 for the frontline drivers has dropped to a level that is lower than that achieved in the second half of 2011 by the last fare increase in July 2011 in real terms. The percentage drop amounts to 4.7% to 11.1%.

Estimated impact of the proposed fare increases on the financial position of the taxi operators

4. In view of the upward inflationary trend, TAC Members accepted the projection that the operating costs of the urban, NT and Lantau taxis would continue to rise in 2013 and 2014. Indeed, since the last fare increase in July 2011, the increase in general price level is expected to reach 10.14% by early 2014. For the urban taxis, TAC Members noted that even with a proposed increase of \$2 in the flagfall and \$0.1 incremental charge (i.e. average rate of 7.11%), the monthly net income of the operators would still be lower than the respective level after the last fare increase in 2011 in real terms.

5. As for NT and Lantau taxis, their proposed increases, of an average rate of 10.71% and 10.63%, would result in a notably higher net income for the rentee drivers. Against this and drawing reference to the inflation rate on price level mentioned in paragraph 4 above as well as the increase in the Median Monthly Household Income of 10% from the last fare increase till the first quarter of 2013, TAC Members took the view that the fare increase for these trades should be moderated.

6. As regards the proposed increase of \$1 in additional fares for every article of baggage carried, every animal or bird carried, and every hiring arranged through telephone booking (i.e. from \$4 to \$5 each) for NT taxis, TAC noted that the proposal would bring these additional fares in line with those of urban and Lantau taxis. TAC further noted that the proposal would bring additional income to the NT driver groups, and that the impact on taxi passengers would not be significant.

TAC's recommendations

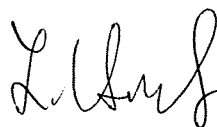
7. Noting that taxis provide an optional and personalised premium public transport service for the community and that the financial position of the driver groups has deteriorated since the last fare increase, and having considered the relevant factors (including public acceptability) as mentioned in paragraph 2 above, TAC Members supported the Government's recommendations to increase the flagfall charge by \$2 and the first stage incremental charge by \$0.1 for urban, NT and Lantau taxi fares alike. The average rate of the recommended fare increases would be 7.11% for urban taxis, 9.04% for NT taxis and 8.83% for Lantau taxis

respectively. With these, TAC Members noted that the respective change of the fare differential between taxis and other public transport modes brought by the fare increases would be reasonable. Members also supported the proposed additional fares for the three items for NT taxis.

8. In the course of discussing the fare increase applications, TAC Members also exchanged views on the issue of taxi licence premium. TAC Members supported the Government's on-going effort to closely monitor the situation and noted that the Government would consider whether and how best measures should be taken if irregularity affecting the stability of taxi service or healthy development of the trade was detected.

9. I should 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,



(Larry Kwok)
Chairman

Transport Advisory Committee