

**For discussion  
on 11 December 2008**

**Legislative Council Panel on Transport  
New Territories Taxi Fare Adjustment Application**

**PURPOSE**

This paper invites Members' views on the fare adjustment application made by New Territories ("NT") taxi associations.

**THE APPLICATION**

2. 16 NT Taxi Associations have submitted the following fare adjustment application to the Transport Department ("TD") –

<b>NT Taxis</b>	<b>Existing Fare</b>	<b>Proposed Fare</b>	
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

**CONSIDERATION OF FARE ADJUSTMENT APPLICATION**

3. Taxis provide a personalised point-to-point public transport service. Taxi fare adjustment 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;
- (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 for incremental charges<sup>1</sup>.

4. 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) and is determined by the Chief Executive-in-Council, subject to negative vetting by the Legislative Council (“LegCo”). Under the established practice, the Administration will consult the LegCo Panel on Transport and the Transport Advisory Committee (“TAC”) on a taxi fare adjustment application before submitting it to the Chief Executive-in-Council for a decision.

## **FINANCIAL POSITION OF THE TAXI TRADE**

5. NT taxi fares were last increased in April 1997 by an average rate of 7.4%, prior to the \$ 1 flagfall fare increase effected in February 2008. There are at present 2,838 NT taxis and about 5,200 NT taxi operators<sup>2</sup>, 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 2004, i.e. the year of conversion to liquefied petroleum gas (“LPG”) operation, are set out below -

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<sup>1</sup> This revised policy on taxi fare structure is recommended by TAC in its Report on the Review of Taxi Operation issued on 5 June 2008.

<sup>2</sup> 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.

<b>NT Taxis</b>					
<b>Year</b>	<b>1997</b>	<b>2004</b>	<b>2008 (Jan to Jun)</b>	<b>Change 2008 (Jan – Jun) over 1997</b>	<b>Change 2008(Jan – Jun) over 2004</b>
Average total monthly revenue <sup>3</sup>	\$17,837	\$14,121	\$16,786	-\$1,051 <i>or</i> -5.9% (-3.0%) <sup>4</sup>	+\$2,665 <i>or</i> +18.9% (+8.8%) <sup>4</sup>

**(b) Operating Costs**

7. For a rentee-driver, compared with the average monthly position in 1997 when the NT taxi fares were last increased, the 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 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.

**(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 -

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

<sup>3</sup> Per NT taxi rentee-driver. Usually one NT taxi is operated by two drivers per day.

<sup>4</sup> Percentage in brackets refers to change in real terms.

NT Taxis	Average monthly net income		
	Rentee-driver	Owner-driver	Rentor-owner
<i>Change over 2004 (in real terms)</i>	+8.7% (-0.5%)	+1.0% (-7.5%)	-37.5% (-42.8%)

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

**(d) Estimated impact of proposed fare adjustment on taxi revenues**

11. The estimated impact of the proposed fare adjustment under the application on the monthly revenues of a rentee-driver is set out below for reference.

NT Taxis	1997	2004	2008 (Jan to Jun)	The Application
Average total monthly revenue of a rentee-driver	\$17,837	\$14,121	\$16,786	\$17,956 <sup>5</sup>

**IMPACT OF PROPOSED FARE ADJUSTMENT ON PASSENGERS**

12. With the proposed fare adjustment, the average rate of fare increase will be 9.49%. The breakdown by trips of different journey distances is set out below.

NT Taxis			
Trip Distance	Existing Fares	Proposed Fares	
Below 2km	\$13.5	\$15.5	(+14.8%)
8km	\$49.5	\$54.5	(+10.1%)
16.4km	\$100	\$96.5	(-3.5%)
33.1km	\$200	\$180	(-10.0%)
49.8km	\$300	\$263.5	(-12.2%)

<sup>5</sup> This is based on the assumption of a 2% patronage drop for a 10% increase in fare due to passenger resistance.

## **LEVEL OF SERVICES**

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

## **ASSESSMENT**

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

15. Moreover, the taxi trade is also encountering competitiveness problem in the longer-haul transport sector brought by the enhanced network coverage and service standards of railways and franchised buses. The application put up by NT taxis is in line with TAC's recommended revised policy on taxi fare structure, which provides the trade with more flexibility in proposing fare adjustments in the light of market situation, by allowing the trade to propose fares at a varying descending scale for incremental charges. The fare adjustment application made by NT taxi associations includes lowering of longer-haul fares. This would help to enhance the competitiveness of the trade in the longer-haul sector and also benefit passengers of longer trips.

16. In considering taxi fare adjustment applications, the Administration will take into account the various factors mentioned in paragraph 3 above. We would consider the views of the LegCo Panel on Transport and the TAC before putting forward our recommendation to the Chief Executive-in-Council.

## **ADVICE SOUGHT**

17. Members are invited to provide comments on the above fare adjustment application.

**Transport and Housing Bureau  
Transport Department  
December 2008**