

For discussion  
on 17 December 2010

**Legislative Council Panel on Transport  
Taxi Fare Increase Applications**

**PURPOSE**

This paper invites Members' views on the fare increase applications made by the urban, the New Territories ("NT") and Lantau taxi associations.

**THE APPLICATIONS**

2. In view of the increases in operating costs such as vehicle maintenance costs, insurance and fuel expenses, the operating environment for the taxi trade has become more difficult. In this connection, the urban, NT and Lantau taxi associations submitted applications in September 2010 for an increase of the respective flagfall charges by \$2 (as shown below) –

	<b>Flagfall charge for the first 2 km or any part thereof</b>		
	<b>Urban Taxis</b>	<b>NT Taxis</b>	<b>Lantau Taxis</b>
<b>Existing Fare</b>	\$18	\$14.5	\$13
<b>Trade's Proposal</b>	\$20	\$16.5	\$15

3. The trade has not applied for changes to the incremental charges after flagfall, or charges for waiting time or any surcharges.

**CONSIDERATION OF TAXI FARE INCREASE APPLICATIONS**

4. 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;
- (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.

5. 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). Under section 7(1C) of the Road Traffic Ordinance (Cap. 374), the Chief Executive in Council may make Amendment Regulation to give effect to adjustment in the fares for the hiring of the urban, the NT and Lantau taxis. In the course of assessment of the taxi fare increase applications, the Administration will take into account the views of the Members of the Panel on Transport and the Transport Advisory Committee before submitting recommendations to the Chief Executive in Council.

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

### ***Urban Taxis***

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 operators<sup>1</sup>, 63% of which are rentee-drivers, 13% are rentor-owners and 24% are owner-drivers.

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<sup>1</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 rentee-drivers.

**(a) Operating Revenues**

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

<b>Urban Taxis</b>	<b>Average monthly operating revenues</b>		
	<b>Rentee-drivers</b>	<b>Owner-drivers</b>	<b>Rentor-owners</b>
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% <sup>2</sup> (-2.1%)

**(b) Operating Costs**

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

<b>Urban Taxis</b>	<b>Average monthly operating costs</b>		
	<b>Rentee-drivers<sup>3</sup></b>	<b>Owner-drivers<sup>4</sup></b>	<b>Rentor-owners<sup>5</sup></b>
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%)

<sup>2</sup> For rentor-owners, their average monthly revenues in 2009 and 2010 have remained the same as there was no change in rental.

<sup>3</sup> For rentee-drivers, their monthly operating costs comprise fuel and rental.

<sup>4</sup> For owner-drivers, their monthly operating costs comprise fuel, vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

<sup>5</sup> For rentor-owners, their monthly operating costs comprise vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

(c) **Net Incomes**

9. The average monthly net incomes of urban taxi operators in 2009 and 2010 (Jan – Jun) are set out below –

<b>Urban Taxis</b>	<b>Average monthly net incomes</b>		
	<b>Rentee-drivers</b>	<b>Owner-drivers</b>	<b>Rentor-owners</b>
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%)

10. The above information shows that there has been notable increase in the operating costs of urban taxis since 2009. The average monthly net incomes of the 3 types of operators of urban taxis in the first half of 2010 are lower in varying degrees than their respective levels in 2009 in both nominal and real terms.

***NT Taxis***

11. 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 which are rentee-drivers, 19% are rentor-owners and 23% are owner-drivers.

(a) **Operating Revenues**

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

<b>NT Taxis</b>	<b>Average monthly operating revenues</b>		
	<b>Rentee-drivers</b>	<b>Owner-drivers</b>	<b>Rentor-owners</b>
2009	\$18,116	\$23,468	\$10,661
2010 (Jan – Jun)	\$19,145	\$24,501	\$10,661
Change over 2009 (in real terms)	+5.7% (+3.4%)	+4.4% (+2.2%)	0.0% <sup>6</sup> (-2.1%)

**(b) Operating Costs**

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

<b>NT Taxis</b>	<b>Average monthly operating costs</b>		
	<b>Rentee-drivers<sup>7</sup></b>	<b>Owner-drivers<sup>8</sup></b>	<b>Rentor-owners<sup>9</sup></b>
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 Incomes**

14. The average monthly net incomes of NT taxi operators in 2009 and 2010 (Jan – Jun) are set out below

<sup>6</sup> For rentor-owners, their average monthly revenues in 2009 and 2010 have remained the same as there was no change in rental.

<sup>7</sup> For rentee-drivers, their monthly operating costs comprise fuel and rental.

<sup>8</sup> For owner-drivers, their monthly operating costs comprise fuel, vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

<sup>9</sup> For rentor-owners, their monthly operating costs comprise vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

<b>NT Taxis</b>	<b>Average monthly net incomes</b>		
	<b>Rentee-drivers</b>	<b>Owner-drivers</b>	<b>Rentor-owners</b>
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%)

15. The above information shows that there has been notable increase in the operating costs of NT taxis since 2009. The average monthly net incomes of the 3 types of operators of NT taxis in the first half of 2010 are similar to or lower in varying degrees than their respective levels in 2009 in both nominal and real terms.

### ***Lantau Taxis***

16. 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 which are rentee-drivers, 29% are rentor-owners and 16% are owner-drivers.

#### **(a) Operating Revenues**

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

<b>Lantau Taxis</b>	<b>Average monthly operating revenues</b>		
	<b>Rentee-Drivers</b>	<b>Owner-drivers</b>	<b>Rentor-owners</b>
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% <sup>10</sup> (-2.1%)

**(b) Operating Costs**

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

<b>Lantau Taxis</b>	<b>Average monthly operating costs</b>		
	<b>Rentee-drivers<sup>11</sup></b>	<b>Owner-drivers<sup>12</sup></b>	<b>Rentor-owners<sup>13</sup></b>
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 Incomes**

19. The average monthly net incomes of Lantau taxi operators in 2009 and 2010 (Jan – Jun) are set out below –

<sup>10</sup> For rentor-owners, their average monthly revenues in 2009 and 2010 have remained the same as there was no change in rental.

<sup>11</sup> For rentee-drivers, their monthly operating costs comprise fuel and rental.

<sup>12</sup> For owner-drivers, their monthly operating costs comprise fuel, vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

<sup>13</sup> For rentor-owners, their monthly operating costs comprise vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

<b>Lantau Taxis</b>	<b>Average monthly net incomes</b>		
	<b>Rentee-Drivers</b>	<b>Owner-drivers</b>	<b>Rentor-owners</b>
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%)

20. The above information shows that there has been notable increase in the operating costs of the Lantau taxis since 2009. The average monthly net incomes of the 3 types of operators of Lantau taxis in the first half of 2010 are lower in varying degrees than their respective levels in 2009 in both nominal and real terms.

#### **AVERAGE RATE OF FARE INCREASE**

21. Taxi fare is front-loaded with a flagfall charge followed by incremental charges according to the distance travelled. Since the proposed fare increases are on the flagfall charges only, the rate of fare increase for long-haul trips would be lower than that for short-haul trips. The distributions of trip lengths for the three types of taxis are different. Trips of NT taxis tend to be short-haul; while those of the urban and Lantau taxis are of longer distance. As such, the average rates of the proposed fare increase for urban, NT and Lantau taxis are 5.15%, 8.05% and 4.11% respectively, even though the three types of taxis are all applying for an increase of \$2 for flagfall charges.

#### **ADVICE SOUGHT**

22. Members are invited to comment on the above fare increase applications.

**Transport and Housing Bureau**  
**Transport Department**  
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