

**For discussion
on 21 June 2013**

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

Purpose

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

The Applications

2. The urban, NT and Lantau taxi trades submitted applications to the Transport Department ("TD") in January 2013 for increasing their respective flagfall charges and the subsequent incremental charges. They did so on the grounds that the real income of drivers and owners had dropped owing to factors such as an increase in the various cost components and inflation. Details are set out as follows:

| | Flagfall charge for the first 2 kilometres ("km") or any part thereof | | |
|------------------------------------|----------------------------------------------------------------------------------|----------------------------|----------------------------|
| | Urban Taxis | NT Taxis | Lantau Taxis |
| Existing fare | \$20 | \$16.5 | \$15 |
| <i>The trade's proposal</i> | \$22 (+\$2) | \$19 (+\$2.5) | \$18 (+\$3) |
| | Incremental charges 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 |
| <i>The trade's proposal</i> | \$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 |
| <i>The trade's proposal</i> | <i>No change</i> | <i>No change</i> | <i>No change</i> |

3. The NT taxi trade also applied for increasing the additional fares for every article of baggage carried, every animal or bird carried, and every hiring arranged through telephone booking by \$1 each (i.e. from \$4 to \$5). The proposal will bring these additional fares for NT taxis on par with those charged by urban and Lantau taxis.

4. The existing taxi fare arrangement is front-loaded with a flagfall charge, followed by incremental charges according to the distance travelled. Since the increase in the flagfall charge will be spread out and reduced over distance travelled, the rate of fare increase for long-haul trips will be lower when compared with that of short-haul ones. The distribution of trip lengths varies among the three types of taxis. Trips of NT taxis tend to be short-haul whilst those of the urban and Lantau taxis are of longer distance. As such, even for the same amount of increase in the flagfall and incremental charges, the average rate of increase will differ for the different types of taxis due to the distribution of varying trip lengths. The average rate of fare increase proposed by the respective taxi trades is 7.11% for urban taxis, 10.71% for NT taxis and 10.63% for Lantau taxis.

Considerations of Taxi Fare Increase Applications

5. Taxis provide a personalised point-to-point public transport service. The Administration has all along considered taxi fare increase applications in accordance with the following guiding principles:

- (i) the need to ensure the financial viability of taxi operations, taking into consideration changes in revenue and operating costs;
- (ii) the need to maintain an acceptable level of taxi service in terms of vehicle availability, passenger waiting time and passengers' feedback on service;
- (iii) the need to maintain a reasonable differential between taxi fares and those of other public transport modes;
- (iv) public acceptability of the proposed fares; and
- (v) that the taxi fare structure should be "front-loaded" and thereafter on a varying descending scale for incremental charges.

6. The scale of fares for hiring taxis is specified in Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D). Under section 7(1C) of the Road Traffic Ordinance (Cap. 374), the Executive Council ("ExCo") may make an Amendment Regulation to give effect to adjustment in fares for

hiring urban, NT and Lantau taxis. In the course of assessing taxi fare increase applications, the Administration will take into account the views of the Legislative Council (“LegCo”) Panel on Transport and the Transport Advisory Committee before submitting its recommendations to ExCo. The new fares have to go through negative vetting by LegCo before implementation.

Financial Position of the Taxi Trades

Background of the Trades

7. There are at present a total of 18 138 taxis. 15 250 are urban taxis, 2 838 are NT taxis and 50 are Lantau taxis. About 65% of the taxis are owned by individuals whilst the remaining by companies. Taxi trades mainly consist of rentee-drivers, rentor-owners and owner-drivers¹. Based on the number of taxi driver identity plates² issued, it is estimated that there are currently about 57 000 drivers.

Taxi Operating Data

8. TD will conduct regular taximeter reading surveys, as well as collect information on income of taxi drivers through surveys. On the other hand, TD will gather data on taxi operating costs from the taxi owners and trade associations through surveys. TD will also obtain the price of Liquid Petroleum Gas (“LPG”) from the LPG suppliers.

Financial Position of Urban Taxis

(a) Operating Revenue

9. Urban taxi fares were last increased in July 2011 by an average rate of 5.15%. A comparison of the average monthly operating revenue received by urban taxi operators from 2011 (July – December) to 2013 (January – March) since the last fare increase is set out below:

¹ 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.

² Taxi driver identity plates, issued under section 51(1)(c) of the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D), must be displayed on taxis to enable easy identification of the drivers’ names by passengers.

| Urban Taxis | Average monthly operating revenue | | |
|-----------------------------------------------------------------------|-----------------------------------|---------------|---------------|
| | Rentee-drivers | Owner-drivers | Rentor-owners |
| 2011 (Jul – Dec) | \$24,498 | \$33,998 | \$18,990 |
| 2012 (Jan – Dec) | \$24,944 | \$34,704 | \$19,510 |
| 2013 (Jan – Mar) | \$25,026 | \$35,137 | \$20,212 |
| <i>Change over 2011(Jul – Dec)³</i> | +2.2% | +3.4% | +6.4% |
| <i>(Change in real terms after netting off inflation)⁴</i> | (-4.2%) | (-3.1%) | (-0.2%) |

(b) Operating Costs

10. A comparison of the average monthly operating costs borne by urban taxi operators from 2011 (July – December) to 2013 (January – March) is set out below:

| Urban Taxis | Average monthly operating costs | | |
|-----------------------------------------------------------|---------------------------------|----------------------------|----------------------------|
| | Rentee-drivers ⁵ | Owner-drivers ⁶ | Rentor-owners ⁷ |
| 2011 (Jul – Dec) | \$12,324 | \$10,034 | \$6,271 |
| 2012 (Jan– Dec) | \$12,818 | \$10,351 | \$6,300 |
| 2013 (Jan – Dec) | \$13,351 | \$10,790 | \$6,480 |
| <i>Change over 2011(Jul – Dec)</i> | +8.3% | +7.5% | +3.3% |
| <i>(Change in real terms after netting off inflation)</i> | (+1.6%) | (+0.8%) | (-3.1%) |

³ This is the nominal change (i.e. without taking into account inflation) compared with the average monthly operating figures from July to December 2011 (i.e. the first six months following the last fare increase).

⁴ As compared to 2011 (July – December), the Composite Consumer Price Index, measuring inflation in the consumer domain, rose by 6.7% in 2013 (January – March).

⁵ For rentee-drivers, their monthly operating costs comprise fuel and rental.

⁶ For owner-drivers, their monthly operating costs comprise fuel, vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

⁷ For rentor-owners, their monthly operating costs comprise vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

(c) **Net Income**

11. A comparison of the average monthly net income of urban taxi operators from 2011 (July – December) to 2013 (January – March) is set out below:

| Urban Taxis | Average monthly net income | | |
|-----------------------------------------------------------|----------------------------|----------------|----------------|
| | Rentee-drivers | Owner-drivers | Rentor-owners |
| 2011 (Jul – Dec) | \$12,174 | \$23,964 | \$12,719 |
| 2012 (Jan – Dec) | \$12,126 | \$24,353 | \$13,210 |
| 2013 (Jan – Mar) | \$11,675 | \$24,347 | \$13,732 |
| <i>Change over 2011(Jul – Dec)</i> | <i>-4.1%</i> | <i>+1.6%</i> | <i>+8.0%</i> |
| <i>(Change in real terms after netting off inflation)</i> | <i>(-10.1%)</i> | <i>(-4.7%)</i> | <i>(+1.2%)</i> |

12. As shown by the information above, the average monthly operating costs borne by urban taxi rentee-drivers and owner-drivers have been on the rise since the fare increase in July 2011. On the other hand, the average monthly net income in real terms currently earned by these drivers, who rely heavily on fare revenues, is lower than its respective level in 2011 (July – December) after netting off inflation.

Financial Position of NT Taxis

(a) **Operating Revenue**

13. NT taxi fares were last increased in July 2011 by an average rate of 8.05%. A comparison of the average monthly operating revenue received by NT taxi operators from 2011 (July – December) to 2013 (January – March) since the last fare increase is set out below:

| NT Taxis | Average monthly operating revenue | | |
|-----------------------------------------------------------|-----------------------------------|----------------|----------------|
| | Rentee-drivers | Owner-drivers | Rentee-owners |
| 2011 (Jul – Dec) | \$21,561 | \$27,801 | \$12,480 |
| 2012 (Jan – Dec) | \$22,012 | \$28,512 | \$13,000 |
| 2013 (Jan – Mar) | \$22,396 | \$29,156 | \$13,520 |
| <i>Change over 2011 (Jul – Dec)</i> | <i>+3.9%</i> | <i>+4.9%</i> | <i>+8.3%</i> |
| <i>(Change in real terms after netting off inflation)</i> | <i>(-2.6%)</i> | <i>(-1.7%)</i> | <i>(+1.6%)</i> |

(b) Operating Costs

14. A comparison of the average monthly operating costs borne by NT taxi operators from 2011 (July – December) to 2013 (January – March) is 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 (Jan – Dec) | \$10,868 | \$10,433 | \$5,622 |
| 2013 (Jan – Mar) | \$11,388 | \$11,053 | \$5,856 |
| <i>Change over 2011 (Jul – Dec)</i> | <i>+10.6%</i> | <i>+11.3%</i> | <i>+5.7%</i> |
| <i>(Change in real terms after netting off inflation)</i> | <i>(+3.7%)</i> | <i>(+4.3%)</i> | <i>(-0.9%)</i> |

(c) Net Income

15. A comparison of the average monthly net income of NT taxi operators from 2011 (July – December) to 2013 (January – March) is set out below:

| NT Taxis | Average monthly net income | | |
|-----------------------------------------------------------|----------------------------|----------------|----------------|
| | Rentee-drivers | Owner-drivers | Rentor-owners |
| 2011 (Jul – Dec) | \$11,265 | \$17,867 | \$6,940 |
| 2012 (Jan – Dec) | \$11,144 | \$18,079 | \$7,378 |
| 2013 (Jan – Mar) | \$11,008 | \$18,103 | \$7,664 |
| <i>Change over 2011 (Jul – Dec)</i> | <i>-2.3%</i> | <i>+1.3%</i> | <i>+10.4%</i> |
| <i>(Change in real terms after netting off inflation)</i> | <i>(-8.4%)</i> | <i>(-5.0%)</i> | <i>(+3.5%)</i> |

16. As shown by the information above, the average monthly operating costs borne by NT taxi rentee-drivers and owner-drivers have been on the rise since the fare increase in July 2011. On the other hand, the average monthly net income in real terms currently earned by these drivers, who rely heavily on fare revenues, is lower than its respective level in 2011 (July – December) after netting off inflation.

Financial Position of Lantau Taxis

(a) Operating Revenue

17. Lantau taxi fares were last increased in July 2011 by an average rate of 4.11%. A comparison of the average monthly operating revenue received by Lantau taxi operators from 2011 (July – December) to 2013 (January – March) since the last fare increase 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 (Jan – Dec) | \$23,528 | \$32,241 | \$17,425 |
| 2013 (Jan – Mar) | \$22,584 | \$31,584 | \$18,000 |
| <i>Change over 2011 (Jul – Dec)</i> | <i>-0.8%</i> | <i>+1.0%</i> | <i>+5.9%</i> |
| <i>(Change in real terms after netting off inflation)</i> | <i>(-7.0%)</i> | <i>(-5.3%)</i> | <i>(-0.7%)</i> |

(b) Operating Costs

18. A comparison of the average monthly operating costs borne by Lantau taxi operators from 2011 (July – December) to 2013 (January – March) is 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 (Jan – Dec) | \$12,738 | \$14,442 | \$7,897 |
| 2013 (Jan – Mar) | \$12,650 | \$14,777 | \$8,328 |
| <i>Change over 2011 (Jul – Dec)</i> | <i>+2.9%</i> | <i>+6.7%</i> | <i>+7.2%</i> |
| <i>(Change in real terms after netting off inflation)</i> | <i>(-3.5%)</i> | <i>(+0.0%)</i> | <i>(+0.5%)</i> |

(c) **Net Income**

19. A comparison of the average monthly net income of Lantau taxi operators from 2011 (July – December) to 2013 (January – 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 (Jan – Dec) | \$10,790 | \$17,799 | \$9,528 |
| 2013 (Jan – Mar) | \$9,934 | \$16,807 | \$9,672 |
| <i>Change over 2011 (Jul – Dec)</i> | <i>-5.2%</i> | <i>-3.5%</i> | <i>+4.8%</i> |
| <i>(Change in real terms after netting off inflation)</i> | <i>(-11.1%)</i> | <i>(-9.5%)</i> | <i>(-1.7%)</i> |

20. As shown by the information above, the average monthly net income of Lantau taxi rentee-drivers and owner-drivers has been decreasing since the fare rise in July 2011. Their average monthly net income in real terms is currently lower than its respective level in 2011 (July – December).

Advice Sought

21. To facilitate the Administration’s further consideration of the applications, members are invited to comment on the fare increase applications set out in paragraphs 2 to 4 above.

**Transport and Housing Bureau
Transport Department
June 2013**