

立法會
Legislative Council

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Panel on Transport
Meeting on 21 June 2013

Background brief on taxi fare adjustments

Purpose

This paper provides background information on the mechanism for considering and approving taxi fare adjustment applications. It also summarizes the major concerns expressed by Legislative Council ("LegCo") Members on the fare adjustment applications by taxi trades in recent years.

Background

2. Taxi fare increase applications are considered by the Administration 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 of incremental charges¹.

3. The scale of fares for the hiring of 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 Chief Executive in Council ("CE-in-Council") may make Amendment Regulation to give effect to adjustment in the fares for the hiring of urban, NT and Lantau taxis. In the course of assessing the taxi fare increase applications, the Administration will take into account the views of the Panel on Transport ("the Panel") and the Transport Advisory Committee before submitting its recommendations to CE-in-Council.

4. The fares for urban, the New Territories ("NT") and Lantau taxis were last increased in July 2011 by an average rate of 5.15%, 8.05% and 4.11% respectively.

Members' major concerns on the previous taxi fare increase applications

Regulation of charging taxi fares according to meters

5. In 2008, a Subcommittee was formed to study the Road Traffic (Public Service Vehicles) (Amendment) Regulation 2008 ("the Amendment Regulation"), which aimed to give effect to the approved fare adjustments for Lantau and urban taxis with effect from 30 November 2008.

6. The Subcommittee expressed concern about the effectiveness of the new fare structure of "raising short-haul fares and lowering long-haul fares" in reducing the room for discount gang activities and in restoring order in the taxi market, given that discount gangs might continue to offer discounts from the metered fares. The Subcommittee also expressed concern that the existing legislation and enforcement did not provide sufficient deterrence against fare bargaining. Some members urged the Administration to introduce legislation to ensure payment of metered fares.

¹ This revised policy on taxi fare structure is recommended by the Transport Advisory Committee in its Report on the Review of Taxi Operation issued on 5 June 2008.

7. As many Members were concerned about the proposed taxi fare adjustments, to facilitate debates on the Amendment Regulation, an adjournment motion was moved at the Council meeting on 26 November 2008 to enable Members to debate on issues relating to the Amendment Regulation. The official record of proceedings of the Council meeting on 26 November 2008 is available at <http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm1126-confirm-ec.pdf>.

8. To follow up the concerns raised by the Subcommittee, the Administration submitted to the Panel in May 2009 the findings of its study on the regulatory requirements and experience in other cities regarding charging according to meters, and details of its discussions with the trade on the matter. The Administration considered that making fare bargaining a criminal offence would be controversial and enacting legislation was not an effective means to eliminate the problem of fare bargaining. The Administration considered that the problem of fare bargaining had been alleviated to a certain extent since the implementation of new fares, and the discounts offered to passengers had dwindled.

9. Some Panel members, however, maintained the view that legislation should be enacted to regulate charging of fares according to meters. They disagreed that the problem of discount gang activities had been lessened because according to media reports, there was still room for the operation of discount gangs. At a special meeting held on 23 September 2009, the following motion was passed –

"That this Panel urges the Government to immediately commence study on the enactment of legislation for the regulation of charging taxi fares according to meters and to introduce an amendment bill to this Council as soon as possible."

Fare increase applications in 2012

10. The Panel was last consulted on the fare increase applications made by the urban, NT and Lantau taxi trades on 24 May 2012. The taxi trades proposed to increase the flagfall fare by \$2 for urban and Lantau taxis respectively and by \$2.5 for NT taxis. The average rate of the proposed fare increase for the respective taxi trades was 4.51% for urban taxis, 8.6% for NT taxis and 4.04% for Lantau taxis. While the three taxi trades had not applied for changes to the incremental charges after flagfall, the NT taxi trade 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).

Fuel surcharge mechanism

11. At the May 2012 meeting, some Panel members pointed out that taxi drivers had long been complaining about the volatility of Liquefied Petroleum Gas prices and supported collection of taxi fuel surcharge to mitigate increase in fuel costs instead of introducing taxi fare increases. These members shared the view expressed by some taxi driver groups that a rentee-driver² might not be able to benefit from the proposed fare increase as it might trigger taxi rental increases by owners and as a result, any income increase that might be derived from the fare adjustments would be offset.

12. The Administration however considered that if a fuel surcharge was introduced, passengers would have to bear frequent, unforeseeable and drastic fare adjustments due to short-term or extreme changes in fuel costs. The Administration advised that a taxi fare adjustment was preferable as it was governed by the mechanism enshrined in the relevant legislation and would require the approval of the CE-in-Council. It would be more appropriate for the taxi trade to make use of the existing fare adjustment mechanism instead of a fuel surcharge to reflect the cost increases. The Administration also explained that the fare adjustment mechanism had the benefit of taking into account not only fuel price increase, but also revenue and other cost components, such as changes in repair and maintenance costs. For this purpose, the Government would conduct a comprehensive assessment of the taxi trade's operating conditions.

13. The proposed fare increase applications were not supported by the Panel at the May 2012 meeting. On the same day, the Transport Department announced that given the attitude of some taxi associations had changed resulting in divergence on the trades' view on fare increase, the Government considered that the trades should further deliberate among themselves. The Government would re-consider the fare increase applications after the trades had reached a mainstream view.

² 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.

Relevant question raised at Council meeting and other relevant papers

14. During the Fourth Legislative Council, a question relating to taxi malpractices, including the incidents of overcharging taxi fares, was raised at the Council meeting of 5 December 2012. The hyperlinks to the question and the Administration's response, together with other relevant papers, are in the **Appendix**.

Latest developments

15. The Administration has proposed to consult the Panel on the fare adjustment applications submitted by the urban, NT and Lantau taxi trades at the Panel meeting on 21 June 2013.

Council Business Division 1
Legislative Council Secretariat
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Taxi fare adjustments

List of relevant papers

Date of meeting	Committee/ Meeting	Minutes/Paper	LC Paper No.
21 and 28 October 2008 6 and 11 November 2008	Subcommittee on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2008	Papers and minutes of the Subcommittee Report of the Subcommittee	http://www.legco.gov.hk/yr08-09/english/hc/sub_leg/sc01/general/sc01.htm CB(1)217/08-09 http://www.legco.gov.hk/yr08-09/english/hc/sub_leg/sc01/reports/sc011126cb1-217-e.pdf
26 November 2008	Council Meeting	Official record of proceedings	http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm1126-confirm-ec.pdf
11 December 2008	Panel on Transport	Administration's paper on New Territories taxi fare adjustment application Minutes of meeting	CB(1)361/08-09(02) http://www.legco.gov.hk/yr08-09/english/panels/tp/papers/tp1211cb1-361-2-e.pdf CB(1)1642/08-09 http://www.legco.gov.hk/yr08-09/english/panels/tp/minutes/tp20081211.pdf
22 May 2009	Panel on Transport	Administration's paper on changes in operating conditions after taxi fare adjustments and overseas study and discussions with taxi trade on charging according to meters Minutes of meeting	CB(1)1613/08-09(03) http://www.legco.gov.hk/yr08-09/english/panels/tp/papers/tp0522cb1-1613-3-e.pdf CB(1)2756/08-09 http://www.legco.gov.hk/yr08-09/english/panels/tp/minutes/tp20090522.pdf

Date of meeting	Committee/ Meeting	Minutes/Paper	LC Paper No.
23 September 2009	Panel on Transport	Papers for the meeting	http://www.legco.gov.hk/yr08-09/english/panels/tp/agenda/tp20090923.htm
		Minutes of meeting	CB(1)872/09-10 http://www.legco.gov.hk/yr08-09/english/panels/tp/minutes/tp20090923.pdf
17 December 2010	Panel on Transport	Papers for the meeting	http://www.legco.gov.hk/yr10-11/english/panels/tp/agenda/tp20101217.htm
		Minutes of meeting	CB(1)1165/10-11 http://www.legco.gov.hk/yr10-11/english/panels/tp/minutes/tp20101217.pdf
24 May 2012	Panel on Transport	Papers for the meeting	http://www.legco.gov.hk/yr11-12/english/panels/tp/agenda/tp20120524.htm
		Minutes of meeting	CB(1)2511/11-12 http://www.legco.gov.hk/yr11-12/english/panels/tp/minutes/tp20120524.pdf
24 May 2012	-	Press release on the Transport Department's response on taxi fare increase applications	http://www.td.gov.hk/en/publications_and_press_releases/press_releases/transport_department/index_id_1884.html
5 December 2012	Council meeting	Dr Hon Elizabeth QUAT raised a question on taxi malpractices	http://www.info.gov.hk/gia/general/201212/05/P201212050269.htm