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Paper for the House Committee

**Report of the Subcommittee on Road Traffic (Public Service Vehicles)
(Amendment) Regulation 2013**

Purpose

This paper reports on the deliberations of the Subcommittee on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2013.

Fare adjustments for urban, the New Territories and Lantau taxis

2. The Chief Executive in Council approved on 24 September 2013 a \$2 increase in flagfall and a \$0.1 increase in the first stage incremental charge per jump¹ for urban, the New Territories ("NT") and Lantau taxis; and an increase in the additional fares for NT taxis for every article of baggage carried, every animal or bird carried, and every hiring arranged through telephone booking by \$1 each. Details of the existing and the new scale of fares for the hiring of the three types of taxis are as follows -

¹ The incremental charge applies to each jump per 200 m travelled for:
(a) 2 km to 9 km for urban taxis;
(b) 2 km to 8 km for the New Territories taxis; and
(c) 2 km to 20 km for Lantau taxis.

	Urban Taxi	NT Taxi	Lantau Taxi
	Flagfall charge for the first 2 km or any part thereof		
Existing fare	\$20	\$16.5	\$15
New fare	\$22	\$18.5	\$17
	Incremental charge for each 200 m travelled (i.e. per jump) after flagfall or any part thereof		
Existing fare	\$1.50 until the chargeable amount reaches \$72.50, and \$1 thereafter	\$1.30 until the chargeable amount reaches \$55.50, and \$1 thereafter	\$1.30 until the chargeable amount reaches \$132, and \$1.20 thereafter
New fare	\$1.60 until the chargeable amount reaches \$78, and \$1 thereafter	\$1.40 until the chargeable amount reaches \$60.50, and \$1 thereafter	\$1.40 until the chargeable amount reaches \$143, and \$1.20 thereafter
	Incremental charge for every period of one minute, or any part thereof, during which the taxi is hired but not in motion²		
Existing fare	\$1.50 until the chargeable amount reaches \$72.50, and \$1 thereafter	\$1.30 until the chargeable amount reaches \$55.50, and \$1 thereafter	\$1.30 until the chargeable amount reaches \$132, and \$1.20 thereafter
New fare	\$1.60 until the chargeable amount reaches \$78, and \$1 thereafter	\$1.40 until the chargeable amount reaches \$60.50, and \$1 thereafter	\$1.40 until the chargeable amount reaches \$143, and \$1.20 thereafter
Average rate of increase	7.11%	9.04%	8.83%

² The law also provides for the same amount of incremental charges for the waiting time, of every minute.

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

3. The Road Traffic (Public Service Vehicles) (Amendment) Regulation 2013 ("the Amendment Regulation") is made by the Chief Executive in Council under section 7(1C) of the Road Traffic Ordinance (Cap. 374). It provides for the commencement of the Amendment Regulation with effect from 8 December 2013 and amends Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D) to put into effect the approved fare adjustments in paragraph 2 above.

The Subcommittee

4. At the House Committee meeting on 18 October 2013, Members agreed that a subcommittee should be formed to study the Amendment Regulation. The membership list of the Subcommittee is in the **Appendix**. Under the chairmanship of Hon CHAN Kam-lam, the Subcommittee has held one meeting with the Administration.

Deliberations of the Subcommittee

Impact to be brought about by the fare increase

5. The Subcommittee notes that the average increases of urban, NT and Lantau taxi fares are 7.11%, 9.04% and 8.83% respectively. They are lower than the forecast increase of around 10% in general price level from the last fare increase (in July 2011) to early 2014 and the 10% increase in the Median Monthly Household Income from the last fare increase to the first quarter of 2013. Members have no objection to the rate of fare increase so as to help the taxi trade to cope with the escalating costs for operation. Some members have enquired whether the upward change to be brought about by the fare increase to the fare differential between urban, NT and Lantau taxis and other public transport modes (i.e. from the current level of 4.78, 2.71 and 4.63 to 5.54, 3.05 and 5.25 respectively) is considered reasonable.

6. The Administration has advised that the role of taxis is to provide a personalized point-to-point public transport service. It has long been the Government's policy to maintain a reasonable fare differential between taxis and other modes of public transport in order to avoid excessive demand for taxi services and to ensure smooth traffic flow. At present, a fare differential at the level of 5 to 7 is considered reasonable for urban taxis.

7. Hon LEE Cheuk-yan, Hon WONG Kwok-hing and Hon TANG Ka-piu enquired whether the fare adjustments will help to alleviate the operating cost pressure of rentee-drivers, having regard to the likely increase in taxi rental as a result of the adjustment. The Administration has advised that about 65% of the taxis are currently owned by individuals. Taxi rental is a commercial arrangement between drivers and owners and the level of the rental is determined by the market. That said, in June 2013, some major taxi owners openly committed that they would not increase taxi rental within three months after the fare adjustments have taken effect. According to the understanding of the Administration, the current average taxi rental per shift for urban taxis is in the range of \$350 to \$450. Hon LEE Cheuk-yan and Hon TANG Ka-piu urge the Administration to monitor changes in the operating conditions of the taxi trade after the implementation of fare adjustments and revert to the Panel on Transport as appropriate in due course.

Measures to lower the operating costs of the taxi trade

8. Members note that the fare increase applications from the taxi trade are made on grounds of rising operating costs. Increases in fuel expenses and insurance premium since the last fare increase in July 2011 are two factors leading to the rise in costs. To dampen the direct impact of a fluctuating Liquefied Petroleum Gas ("LPG") price on the trade, Hon LEE Cheuk-yan and Hon WONG Kwok-hing call on the Administration to expeditiously commence the study on the feasibility of introducing a fuel surcharge mechanism for taxis after the fare adjustments have taken effect. Hon YIU Si-wing has pointed out that the accident rate of taxis has increased significantly during the last decade. Given that the rise in insurance premium is believed to be related to the increasing amount of compensation required to be paid out by insurance companies to claims arising from traffic accidents, he considers that more efforts should be made by the Administration to reduce accidents of taxis.

9. The Administration points out that the preference of the taxi trade is for the Government to first process the taxi fare increase applications according to the existing mechanism. Meanwhile, the proposal of introducing a fuel surcharge for taxis, which would have considerable policy and operational implications and is not supported by the current legislative framework, has to be considered carefully. As a first step, the Administration will study the overseas experiences of implementing and not implementing a fuel surcharge. The study is expected to take about 12 to 14 months to complete. The Administration will report to the Panel on Transport on the outcome of its study when ready. As regards members' concern about the accident rates of taxis, the Administration has advised that the rates by distance travelled are not particularly high for taxis as compared to those of other vehicle types. The Transport Department ("TD") will continue to collaborate with the Police and taxi associations to promote road safety.

Other measures to improve the operating environment of the taxi trade

10. Members have made a number of suggestions to the Administration on measures to improve the operating environment of the taxi trade. Hon YIU Si-wing considers that the Administration should increase the number of Lantau taxi licences to meet the service demand arising from the provision of some major tourist facilities in North Lantau. Hon WU Chi-wai has suggested that consideration should be given to issuing taxi licences with time limit to cope with increase in demand for taxi services during certain periods of time. Hon TANG Ka-piu is concerned about the speculation of taxi licences. The Administration has advised that as observed by TD, the service demand of Lantau taxis can broadly be met during weekdays, while the passenger waiting time may be longer during weekends. TD will continue to monitor the situation. The Administration is also open to the issuance of new taxi licences, and will give due regard to the level of taxi service demand, the operating environment of the taxi trade and the likely impact on other public transport modes in considering whether any new licences should be issued and, if so, the number and terms of such licences. Meanwhile, it is understood that the level of taxi licence premium for urban taxis has dropped from about \$7.1 million in June 2013 to about \$6.8 million in September 2013.

11. Hon TANG Ka-piu and Hon CHUNG Kwok-pan are of the view that the provision of tens of dedicated and non-dedicated LPG filling stations throughout the territory is disproportionately low, as there are currently about 18 000 taxis in Hong Kong. They urge the Administration to increase the number of LPG filling stations in order to shorten the waiting time for refilling. Hon WONG Kwok-hing has pointed out that the scheme to relax the peak-hour and 7:00 am to 7:00 pm no-stopping restrictions ("NSR") on roads with speed limits less than 70 kilometres per hour for taxis will expire on 1 February 2014. He calls on the Administration to extend the relaxation for another year as well as to lift the NSR period of 7:00 pm to 12:00 midnight.

12. According to the Administration, the Electrical and Mechanical Services Department and the Environmental Protection Department will continue their efforts in expanding the LPG filling network as the circumstances may permit. Taxi trades are also trying out hybrid taxis and electric taxis. The Administration has assured members that it will continue to maintain communication with the taxi trade regarding their concerns and feasible measures to improve their operating environment.

Recommendation

13. The Subcommittee raises no objection and does not propose any amendment to the Amendment Regulation.

Advice sought

14. Members are invited to note the deliberations of the Subcommittee.

**Subcommittee on Road Traffic (Public Service Vehicles)
(Amendment) Regulation 2013**

Membership list

Chairman	Hon CHAN Kam-lam, SBS, JP
Members	Hon LEE Cheuk-yan Hon WONG Kwok-hing, BBS, MH Hon Frankie YICK Chi-ming Hon WU Chi-wai, MH Hon YIU Si-wing Dr Hon KWOK Ka-ki Hon POON Siu-ping, BBS, MH Hon TANG Ka-piu Ir Dr Hon LO Wai-kwok, BBS, MH, JP Hon CHUNG Kwok-pan (Total : 11 Members)
Clerk	Ms Maisie LAM
Legal Adviser	Mr Stephen LAM
Date	29 October 2013