

**For discussion
on 21 June 2016**

**Legislative Council Panel on Transport
Public Transport Strategy Study - Role and Positioning Review**

**Premium Taxis and
Increasing the Seating Capacity of Public Light Buses**

Purpose

The Government has accorded priority to reviewing taxi and public light bus (“PLB”) services under the Role and Positioning Review (“RPR”) of the Public Transport Strategy Study (“PTSS”). The key areas of study are whether to introduce premium taxis and increase the seating capacity of PLBs. The Government is also examining measures to enhance processing of applications for hire car permits (“HCPs”). This paper aims to brief Members on progress made and canvass Members’ views.

Background

2. Our transport policy is underpinned by public transport services with railways as its backbone. Other public transport services play supplementary roles (with franchised buses being the primary mode of public transport for connecting areas not yet served by railways). In tandem with development of our heavy rail network, we consider it necessary to examine the overall strategic arrangements of the public transport system with a view to enhancing the complementarity amongst different public transport services. This is to ensure that the public can enjoy efficient services with reasonable modal choices, while public transport operators can enjoy sustainable development. To this end, the Government commenced the PTSS in late 2014.

3. In November 2015, the Government briefed this Panel that the Government accorded priority to reviewing taxi and PLB services under the RPR of the PTSS in light of the community’s concerns about these two services. The key areas of study are whether it is desirable and feasible to (i) introduce premium taxis and (ii) increase the seating capacity of PLBs. Meanwhile, in response to the public views on hire cars, (iii) the Government is examining measures to enhance the processing of applications for HCPs. Three types of services would

complement each other under the passenger transport system and provide point-to-point personalised transport services.

4. The strategic arrangements of public transport are highly intertwined. Any change can tip the delicate balance. When studying whether to introduce premium taxis and increase the seating capacity of PLBs, we would carefully assess the impact of these proposals on the taxi and PLB trades, the operation and long-term development of other public transport services, as well as traffic management. In fact, the RPR covers a wide range of areas, involving an in-depth review on the roles and positioning of various public transport services, including franchised buses, PLBs, taxis, non-franchised buses, Light Rail, trams and ferries. The aim is to enhance the existing strategic arrangements of our public transport system so as to ensure the long-term, balanced, efficient, multi-modal and sustainable development of public transport services. When developing any proposals during the review process, we would take into account the availability of multi-modal choices under the existing public transport system and the delicate balance of operating environment.

5. Last year, a personalised and point-to-point passenger service of a higher fee, non-compliant with the legal requirement on provision of passenger services, was provided through the use of car-hailing mobile applications. While noting that provision of any passenger service must be lawful, we agree that there is a certain demand in the community for personalised and point-to-point public transport services of higher quality and fare. In parallel, taxi service has been subject to public criticisms. These relate to refusal of hire, poor drivers' service attitude towards passengers and overcharging. There is a heated discussion in the community on the improvement of the quality of taxi service.

6. In light of the above, the Government has reviewed the arrangement of existing taxi service and considered it necessary to (i) introduce premium taxis on a trial basis; (ii) encourage the trade to enhance ordinary taxi service; and (iii) adopt measures to enhance the processing of applications for HCPs to keep up with the times and to increase the supply of hire car services as necessary.

Premium taxis

7. Since November 2015, the Government has been studying whether it is desirable and feasible to introduce premium taxis with

reference to overseas experience. In fact, quite a number of cities (e.g. Singapore, Tokyo, Seoul, Melbourne and Macau) have been providing a variety of taxi service of higher quality other than ordinary taxi service to meet the needs of different passenger groups.

8. It must be stressed that the policy objectives of introducing premium taxis are to provide passengers with an additional choice other than ordinary taxis and address the needs of passenger groups with higher disposable income, rather than replacing ordinary taxis. As a personalised and point-to-point public transport service, ordinary taxis can better suit the needs of the general public. As such, ordinary taxis will remain the major source of supply of personalised and point-to-point public transport service. This is our basic policy consideration in introducing premium taxis.

9. To better understand the public demand for premium taxis, the Government has commissioned a consultancy through open tender to conduct a telephone survey in May 2016. The survey collects public opinion on introducing premium taxi service¹ through random sampling. Among some 2 000 respondents successfully interviewed, over 60% of them uses ordinary taxi service at least once a month. The main survey findings are as follows:

- (a) even without knowing how much the fare of premium taxis would be higher than that of ordinary taxis, over 60% of the respondents already indicate that they will consider using premium taxis of higher quality than ordinary taxis and expect to use premium taxis at least once a month. There are other questions in the survey put to respondents to ascertain passengers' desire to use premium taxis at different fare levels. Details are set out at paragraph 23 below;
- (b) over 40% of the respondents indicate that they will use both premium taxis and ordinary taxis (albeit unsure about whether they will reduce the use of ordinary taxis). More than 30% of the respondents indicate that they will not

¹ During the course of the interview, respondents were informed that premium taxis refer to a type of taxi service of higher quality than ordinary taxis. For instance, there should be no refusal to hire, no cherry-picking of passengers, using the most direct practicable route and no overcharging; drivers would be of better service attitude; vehicles would be more comfortable, with newer and cleaner body and compartment, and with better facilities (e.g. free wi-fi, mobile phone and charging devices.) would be used.

reduce the use of ordinary taxis if they use premium taxis²;
and

- (c) over 80% of the respondents indicate that they will not reduce the use of their usual means of transport (other than ordinary taxis) if they use premium taxis. The remaining some 20% of the respondents indicate that they will reduce the use of transport services (other than ordinary taxis) if they use premium taxis. Of these respondents, about 3% indicate that they will reduce of use of private cars³.

The survey results are summarised at **Annex 1**.

10. After briefing this Panel in November 2015 on the general direction of study on introducing premium taxis, the Government has further studied the arrangement for introducing the premium taxi service over the past few months. Our preliminary proposed directions are set out in paragraphs 11 to 28 below.

Trial scheme

11. The public generally considers that the most important aspects of premium taxis include good service attitude of drivers, no refusal to hire, no cherry-picking of passengers and using the most direct practicable route. Other aspects of importance include the spaciousness and cleanliness of vehicles as well as compartment facilities. To this end, the quality of premium taxi service must be maintained through a system which could ensure that the needs of passengers are met comprehensively in a sustained fashion, rather than relying on the work ethics of individual operators or drivers. Premium taxis must also be financially viable. Its

² The relevant survey question is – If premium taxi are launched, how would you expect your usage of premium taxis and current ordinary taxis respectively on (a) peak hours on weekdays, (b) weekends, public holidays or non-peak hours on weekdays?

- (1) would try both, but not sure whether the use of ordinary taxis would be reduced;
- (2) would use premium taxis, but unlikely reduce the use of ordinary taxis;
- (3) would use more premium taxis and reduce the use of ordinary taxis; and
- (4) not sure.

³ The relevant survey question is –Would you expect your usage of transport modes other than ordinary taxis would be reduced because of taking premium taxis on (a) peak hours on weekdays and (b) weekends, public holidays or non-peak hours on weekdays?

- (1) would reduce the use of other transport modes: (a) railway; (b) franchised bus; (c) resident's bus service; (d) minibus; (e) ferry; (f) private car; (g) other (please specify); and
- (2) would not reduce the use of other transport modes.

impact on other public transport services including ordinary taxis should be carefully assessed. A proper balance should be maintained among these three considerations. Premium taxis will be a new type of service. Its effectiveness can only be ascertained by the market response after the introduction of the service. Therefore, the Government proposes to introduce premium taxis on a trial basis. Upon completion of the trial scheme, the Government will conduct a review and decide on the way forward having regard to the review results.

Franchise model

12. We propose to introduce premium taxi service through a franchise model given the limitations of the existing taxi operation model in ensuring the overall quality of taxi service a sustained fashion. At present, some 18 000 ordinary taxi licences⁴ have been issued. They are all permanent in nature. These licences have been issued without any conditions directly related to service quality. As such, we cannot impose any penalty against unsatisfactory service of taxi drivers or owners through the licence conditions. Regulation of taxi services can only be carried out by enforcement actions under the Road Traffic Ordinance (Cap. 374) and its subsidiary legislations. Yet, the effectiveness of enforcement is subject to constraints arising from the high threshold for gathering of evidence for prosecution.

13. Moreover, the ownership of ordinary taxi licences is scattered. There are over 9 000 licence holders. Taxi owners and drivers do not usually have an employer-employee relationship. Incomes of taxi drivers are not directly related to their service quality. Thus, there is a lack of an incentive mechanism to ensure drivers' service quality. The service quality varies, depending on the willingness or performance of individual owners or drivers. In this connection, the Government does not plan to introduce premium taxis through the licensing model of ordinary taxis.

14. Through the granting of franchises to a few companies to operate premium taxis, the Government will be able to monitor the operators' performance through franchise terms. The operators will be responsible for ensuring that their services (including the performance of the drivers) will be proper and efficient as prescribed in the franchise.

⁴ The Government has not issued new Urban taxi licences and New Territories taxi licences since 1994. This year, the Government has issued 25 Lantau taxi licences to meet the passenger demand on Lantau Island.

This will help address the difficulty in managing centrally the service quality due to scattered ownership of ordinary taxis. Meanwhile, through franchise terms, the Government will be able to clearly prescribe the service level and set service standards in respect of vehicle types, compartment facilities, limit on vehicle age, arrangement of mobile hailing applications, service quality of drivers, etc. If the operators fail to meet the service level or standards prescribed under the franchise, the Government will be able to impose penalties through franchise terms or even revoke the franchise.

15. The franchise will be time-limited. The franchise duration of the trial scheme should not be too long so that the result of the trial scheme can be reviewed and the scheme can be modified if necessary as early as possible. Nor should it be too short, otherwise the financial viability will be affected. Based on the preliminary findings, the trial scheme should last for 4 to 6 years. The exact franchise duration will be further studied.

Employer-employee relationship

16. Preliminarily, we propose to require the operators to maintain an employer-employee relationship with their drivers under the franchises. Similar to the existing arrangement of franchised bus service, drivers will be the employees of the operators and protected by the Employment Ordinance (Cap. 57) and other Ordinances relating to employees' rights. Compared with those of the ordinary drivers, their job and income will be more stable. It will help attract more new blood to the trade. Moreover, under the employer-employee relationship, part of drivers' income will be related to their service quality. This will help encourage the drivers to maintain good service quality. The employment terms under an employer-employee relationship will naturally increase the operating cost. According to our preliminary assessment, the staff cost will be the largest operating cost of premium taxi operation. The Government would carefully assess and decide whether any fees should be charged for the grant of the franchises. Such increase in cost will also be fully considered when setting the fare level of premium taxis. During the course of the trial scheme, we will also closely monitor the effectiveness of the employment terms under the employer-employee relationship in attracting new blood to the trade and maintaining service quality. The effectiveness of the employer-employee relationship will be a key element for review upon completion of the trial scheme.

Direction of franchise details

17. The preliminary proposals on other details of the franchise are set out as follows:

(a) Number of franchises and fleet size

18. As regards the number of franchises, we propose to grant more than one franchise to ensure healthy competition in the market. It is preliminarily proposed that around 3 franchises will be granted under the trial scheme to maintain healthy competition. The exact number of franchises will be furthered studied. We propose that the fleet of a franchise comprises at least 150 to 200 vehicles. For the purpose of a trial scheme, it is not desirable to introduce a large number of vehicles having regard to the overall supply and demand of taxis in the territory, the operating environment of taxi trade and the impact on traffic management. Meanwhile, the fleet size of each franchise should not be too small to maintain operation effectiveness. In the course of our study, we would carefully consider the impact of the number of franchises and fleet size on the development of different public transport services in the long run.

(b) Vehicle types, compartment facilities and limit on vehicle age

19. At present, there are limited choices on the types of ordinary taxis to meet the different needs of passengers. Preliminarily, we propose to set basic service standards and vehicle price requirements in respect of vehicle types under a franchise. For instance, the operators will be required to provide a certain number of wheelchair-accessible taxis. In formulating the basic service and vehicle price standards, we would consider various factors including the vehicle types commercially available, public demand for the type of vehicles, the impact of the operating cost of vehicles on the financial sustainability and fares to be charged. Moreover, we propose to prescribe the basic service standards on the compartment facilities, e.g. providing free wi-fi and mobile phone charging facilities for passengers' convenience. Apart from the basic service standards and vehicle price requirements, we propose that the operators decide on its own the type of vehicles to be used, such as the use of environment-friendly vehicles (including electric vehicles), vehicles with larger compartment and luggage storage space, etc. These give premium taxis the facilities their name deserves. In assessing bids for the franchise, emphasis will be placed on the type of vehicles and

compartment facilities proposed by the applicant. The idea is to encourage operators to provide a wider variety of vehicle types and compartment facilities.

20. To enhance driving safety and the appeal of vehicle appearance, we propose to set an age limit on vehicles under the franchise. Preliminarily, we propose that the age limit should not exceed the franchise period, i.e. 4 to 6 years. In fact, age limits are imposed on taxis in our neighbouring cities. For example, decommissioning is mandatory for a taxi after 5 years, 6.5 years, and 8 years of service in Japan, Sydney and Singapore respectively.

21. As regards the livery and the identification marking of premium taxis, two options are available. The first is to standardise the requirements, while allowing individual operators to attach company logos to vehicles in their fleets in an appropriate manner. Based on experiences abroad, a livery in black should be in order. The other option is to allow operators to make their own arrangements without standardisation. This is the practice of Singapore. Both options are conceptually feasible.

(c) Fares

22. Since the service standards of premium taxis will be higher, their service level will be governed by more stringent requirements. Together with the increase in staff cost under the employer-employee relationship as outlined in paragraph 16 above, the operating cost of premium taxis will be higher. The fare level of premium taxis should be able to offset expenses arising from higher operating cost, while providing adequate and reasonable incentives for operators and drivers to maintain quality service in a sustained fashion. Although the target clientele of premium taxis is a group of passengers with higher disposable income, its fares cannot be set at excessive levels because after all they will remain a type of public transport service.

23. The abovementioned telephone survey conducted by the consultant indicated that over 70% of the respondents consider it reasonable for premium taxis to charge higher fares. If the fares of premium taxis will be 60% to 100% higher than that of ordinary taxis (i.e. compared with the current flagfall fare of \$22 for urban taxis, premium taxi fare at flagfall would be about \$35 to \$44), over 3% of over some

2 000 respondents indicate that they will definitely use premium taxis⁵. According to our preliminary proposal, only several hundred premium taxis (amounting to about 3% of the 18 000-odd taxis in Hong Kong) will be introduced under the trial scheme. This ratio matches the percentage of respondents (3%) who indicate that they will definitely use premium taxis. The survey result also shows that if the fares of premium taxis will be 30% to 50% higher than that of ordinary taxis (i.e. compared with the current flagfall fare of \$22 for urban taxis, the premium taxi fare at flagfall would be about \$29 to \$33), around 9% of the respondents indicate that they will definitely use premium taxis. The Government has separately engaged a financial consultant to conduct a financial study on the fare structure level of premium taxis.

(d) Mobile Applications

24. With the prevalence of mobile applications for calling taxis or hire cars, the public can have another convenient way to hire taxis other than hailing them on street or by phone. There is a wide body of opinion that the taxi trade should make good use of information technology to enhance service quality. We propose to require operators to provide mobile applications for hailing premium taxis. Operators may develop their own mobile applications or use the existing ones. The Transport Department (“TD”) will provide, in its webpage, hyperlinks to the mobile applications of different premium taxi operators. The operators’ mobile applications will have to meet the standard requirements under the franchises, including functions to lodge

⁵ The relevant survey question is – If the fare of premium taxis is higher than that of current ordinary taxis by the following level, would you consider taking a premium taxi?

- (1) Double, i.e. 100% (compared with the current flagfall fare of \$22 for urban taxis, the flagfall fare of premium taxis would be about \$44; compared with the current flagfall fare of \$18.5 for New Territories taxis, the flagfall fare of premium taxis would be about \$37; compared with the current flagfall fare of \$17 for Lantau taxis, the flagfall fare of premium taxis would be about \$34.)
- (2) 60%-90% higher (compared with the current flagfall fare of \$22 for urban taxis, the flagfall fare of premium taxis would be about \$35-\$42; compared with the current flagfall fare of \$18.5 for New Territories taxis, the flagfall fare of premium taxis would be about \$30-\$35; compared with the current flagfall fare of \$17 for Lantau taxis, the flagfall fare of premium taxis would be about \$27-\$32.)
- (3) 30%-50% higher (compared with the current flagfall fare of \$22 for urban taxis, the flagfall fare of premium taxis would be about \$29-\$33; compared with the current flagfall fare of \$18.5 for New Territories taxis, the flagfall fare of premium taxis would be about \$24-\$28; compared with the current flagfall fare of \$17 for Lantau taxis, the flagfall fare of premium taxis would be about \$22-\$26.)

complaints, express opinions and rate drivers. This will also help the operators to monitor the service quality more effectively. The mobile applications will not be allowed to require passengers to provide their destinations unless the passengers opt to do so on their own volition. The operators will be required to dispatch taxis according to passengers' locations. Refusal of hire will not be allowed.

25. As stated in paragraph 12 above, there are some constraints in enforcement actions against ordinary taxis at present because of the difficulty in gathering evidence for prosecution. We may make good use of the present technology of Global Positioning System ("GPS") to help gather evidence and deal with malpractices. The technology can also help operators monitor service quality and drivers' behaviours. To this end, we propose that the franchises should require all premium taxis to be equipped with GPS devices. The real-time operating data of each premium taxi, including hires for services, charges, routes and drivers' information, will be recorded by the GPS devices for the Government's inspection.

(e) Drivers' training

26. With a view to enhancing the quality of the drivers, we propose to require the franchise operators to provide training courses to the drivers. The training courses should cover customer service skills, driving attitude, handling of emergencies and traffic accidents, handling of customer complaints, basic vocational English and Mandarin, etc. Drivers' training courses proposed by the applicants will be an important factor to be assessed for the grant of franchises.

(f) Customer service and complaint handling

27. To ensure that the operators will properly handle the opinions and complaints of the passengers, we propose to require the franchise operators to provide 24-hour customer service hotlines and electronic channels (e.g. email, online comment form or mobile applications) as platforms for lodging complaints and providing comment. We also propose to require the operators to handle the passengers' complaints or respond to their opinions within a reasonable period under the franchise.

(g) Payment method

28. With the wider use of electronic payments, we propose to require the franchise operators to provide at least one means of electronic

payment, such as credit card or octopus card payment, other than cash payment with a view to facilitating the passengers to pay fares.

Trade engagement

29. We have earlier consulted the taxi trade on the policy direction of introducing premium taxis. We met with the Hong Kong Taxi Council⁶ (“the Council”) in March this year. We also canvassed the views of the taxi trade through the regular consultation mechanism between TD and the trade (i.e. the Trade Conferences for Urban, New Territories and Lantau Taxis) in April and May this year. We understand that the taxi trade was generally concerned about the introduction of premium taxis and the requirement on employer-employee relationship with drivers. They were worried that the introduction of premium taxis would adversely affect the ordinary taxi trade, and that the requirement of maintaining employer-employee relationship would increase the operating cost of premium taxis. Some members of the trade opined that the employer-employee relationship requirement was not the only way to ensure the service quality of drivers. They pointed out that with a clear reward and penalty mechanism, the drivers’ service quality could be guaranteed to a certain extent even if the rental model was used to provide taxi service. To avoid adversely affecting the development of ordinary taxis, they also considered that making use of some ordinary taxis to operate premium taxi service would suffice, and there was no need to introduce premium taxis through franchises. During the meeting with the trade, we responded that the introduction of premium taxis through franchise model could, as stated in paragraphs 14 and 16 above, facilitate centralised management and ensure service quality. In addition, an employer-employee relationship would be conducive to attracting new blood and help ensure service quality. This view was shared by the representatives of drivers’ associations. We would conduct a review upon completion of the trial scheme.

30. Regarding the trade proposal to make use of some ordinary taxis to operate premium taxi service, we have explained to the trade that this is a very complex issue involving different roles and positioning of ordinary taxis and premium taxis as mentioned in paragraph 8 above. After all, ordinary taxis will remain the major supply source of personalised and point-to-point public transport service, while premium taxis will provide an additional choice of higher service quality and fare with a view to meeting the needs of passenger groups with higher

⁶ The Council comprises 17 taxi associations. Details are set out in paragraph 32 below.

disposable income. These are new passenger groups. Demand cannot be met by ordinary taxis.

31. Ordinary taxi licence is fundamentally different from franchise for premium taxis. Ordinary taxi licences are permanent in nature and freely transferrable. The franchise for premium taxis will be time-limited and non-transferrable. Moreover, there are also significant differences in the operating costs and fares for these two types of taxis. Ordinary taxis can be operated on a self-employed basis but premium taxis will be operated by a company of some scale. As such, it is not easy conceptually and operationally for ordinary taxis to operate as premium taxis even if the number is small. The proposal involves complicated legal, financial and policy issues, passenger needs and interests of various stakeholders. Its feasibility and reasonableness would have to be studied carefully. As premium taxi will be a new product, the first priority is to test out whether the new operation model is financially viable. Upon completion of the trial scheme, we will review the effectiveness of the scheme and make necessary enhancements as appropriate. By then, we may explore the trade proposal to make use of some ordinary taxis to operate premium taxis.

Improvement of Ordinary Taxi Services

32. Apart from demanding for better quality of point-to-point transport services at a higher fare, the community calls for improvement of the service quality of ordinary taxis. As ordinary taxis will still be major source of supply of personalised, point-to-point public transport service, it is necessary to actively improve their service quality under the existing legal framework, particularly in relation to the widely criticised behaviours such as refusal to hire and poor attitude of drivers. This view is shared by the Government and taxi trade. In this regard, 17 taxi associations have formed the Hong Kong Taxi Council⁷ in November 2015 with an objective to improve service quality through self-regulation by the trade. The Council launched a mobile application for hailing taxi service last month. Passengers may hail taxis through the application. The application provides an option for passengers to choose taxis that are driven by certified drivers⁸ and to rate and comment on drivers'

⁷ Members include taxi drivers, radio call stations, owners, taxi companies and keepers, etc.

⁸ "Certified drivers" are drivers recommended by taxi companies and with good driving attitude certified by the Council. These drivers have to make service pledges that they would not overcharge, would not smoke inside compartments, and would take the most efficient route or route specified by passengers, etc.

performance. The Council has also put in place reward and penalty mechanisms⁹ to follow up on passengers' comments received, and is discussing with the Employees Retraining Board the organisation of retraining programme for taxi drivers in order to enhance their service standards.

33. Meanwhile, some operators are already providing ordinary taxi service of higher quality in the form of hire-as-a-whole service. Under this model, taxis can provide pre-booked hire-as-a-whole service and the fare will be agreed between the parties providing and receiving the service. This mode of service can meet the needs of different passengers more flexibly. The operators concerned generally provide hire-as-a-whole service by using vehicles with larger compartments and better facilities. The number of such taxis has increased from about 20 in early 2015 to about 80 at present. The Government welcomes the efforts of the trade to improve service and will continue to work closely with them.

34. Also, some members of the trade have recently announced that they would form a fleet of 300 ordinary taxis (including the 80-odd taxis mentioned above) for centralised management and provision of service of quality higher than that of ordinary taxis. The Government welcomes such an initiative.

35. In addition to the continuous effort to assist the taxi trade in improving service quality, the Government is considering various measures conducive to improving the operating environment of taxi service so as to better meet the needs of the public and to facilitate the long-term, healthy development of the trade. To this end, the Government is studying the following issues:

- (a) at present, the TD will issue permits to the trade on a regular basis to exempt taxis from peak hours and "7am to 7 or 8pm" no-stopping restrictions on roads with speed limits less than 70 kilometres per hour. As the existing arrangement has not caused traffic obstruction on the whole and can enable taxis to provide better point-to-point service to passengers, the Government will study whether the no-stopping restrictions at the above restricted zones for taxis should be relaxed permanently;

⁹ For example, drivers received repeated complaints will be asked to join the retraining programme or be removed from the list of "certified drivers".

- (b) at present, the law requires that a taxi driver identity plate shall bear the driver's photograph taken not earlier than 12 months before the day of display. This in effect means that a driver needs to renew his/her identity plate annually. Taking into account feedback from the trade, the Government will study whether the validity period of a driver identity plate should be extended so that renewal can take place less frequently; and
- (c) at present, applicants for taxi driving licence must hold a valid driving licence for driving a private car or light foods vehicle for 3 years and above. The trade opines that the requirement should be relaxed so as to ease the problem of driver shortage. The Government is reviewing the matter taking into account a whole host of factors.

36. There has been a notable increase in the number of complaints relating to taxi service received by the Transport Complaints Unit under the Transport Advisory Committee (“TAC”) in recent years. The majority of such complaints were about malpractices such as refusal to hire, poor service of taxi drivers and overcharging. However, it is not uncommon that complaints cannot be followed up owing to reasons such as insufficient evidence or complainant’s refusal to testify in court. TD is now discussing with the Council whether these complaint cases can be followed up through trade organisations, taking advantage of the trade’s own reward and penalty mechanism.

Fare increase applications

37. The urban, NT and Lantau taxi trades submitted applications to increase fare to TD in April 2015. At that time, there were heated discussions in the community on the quality of taxi service. There were also suggestions put forward on service quality. The trade acknowledged in public that there was room for service improvement. Given the situation, we stated in the panel paper of November 2015 that the more pressing task at the time was to focus on implementing the various short-term measures for service improvement, rather than processing the fare increase applications, so that service quality would meet public expectations and the competitiveness of the trade would be enhanced. Subsequently, the three taxi trades submitted revised fare increase applications to TD in April 2016. Details are at **Annex 2**.

The average rate of the proposed increase is 16% for urban taxis, 17% for NT taxis and 18% for Lantau taxis. Fares for the three types of taxis were last increased in December 2013, with the average rate of increase ranging from 7% to 9%.

38. The Government will process the fare increase applications in accordance with the established policy. A series of factors¹⁰, including public acceptability, will be taken into account. In the course of processing the applications, we will consult this Panel and TAC before submitting our recommendation to the Executive Council. New taxi fares have to go through negative vetting by the Legislative Council before implementation.

Hire car service

39. Apart from taxis, hire car (i.e. using a private car for carriage of passengers for hire or reward) provides another kind of point-to-point and personalised transport service to meet the different transport needs of the public. Hire car does not come under the category of public transport services. Passengers can only make booking but not hail hire cars on the streets and the fare is not subject to regulation. A private car owner must obtain a hire car permit (“HCP”) under the relevant legislation¹¹ before operating the service.

¹⁰ Major factors to be considered in processing a taxi fare application include:

- (a) the need to ensure the financial viability of taxi operation, taking into consideration changes in revenue and operating costs;
- (b) the need to maintain an acceptable level of taxi service in terms of vehicle 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) the taxi fare structure – it should be “front-loaded” with a varying descending scale for incremental charges.

¹¹ At present, there are three types of HCPs in force, namely private, hotel and tour services. Upon receipt of an HCP application, the Commissioner for Transport (“Commissioner”) will assess the application based on the factors that may be taken into consideration as stipulated in the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D). In determining whether to issue an HCP for a private hire car service, the Commissioner may have regard to, amongst other matters, the extent to which the area from which the applicant proposes to operate the private hire car service is served by public transport, whether the applicant is able to demonstrate reasonably that the service applied for is required in that area, and whether the applicant has, in that area, a place which the Commissioner considers suitable to park the private car for hire. The Commissioner may issue to the applicant an HCP if the Commissioner is satisfied as to the particulars furnished in the application, that there are in force a valid third party risks policy of insurance compliant with statutory requirements and a valid vehicle licence in respect of the private car concerned, and is of the opinion that the type of hire car service specified in the application is reasonably required.

40. In response to the community views on hire car services, the Government is studying ways to enhance the processing of applications for HCPs, especially to facilitate new market entrants, without affecting hire car's current position in the transport hierarchy and the current regulatory regime.

41. Currently, the TD considers a whole host of factors when assessing HCP applications, including the hiring records and future service contracts provided by an applicant, to evaluate if the application satisfies the legal requirement (i.e. "reasonably required"). Some applicants (e.g. new market entrants) may not be able to submit these types of proof. If an applicant is unable to submit the abovementioned documents but can provide other information to support that it has a valid business case and the service under application is reasonably required, the TD will assess the application flexibly on the basis of individual merits. Besides, since the law requires an HCP to be applied for by a registered owner of private car, an applicant must purchase a vehicle before submitting an application. The TD is considering the launch of a pre-application assessment. Persons who are interested in applying for HCPs will be informed of the likelihood of having their applications approved before purchasing vehicles. They may then decide whether to further invest and formally submit applications based on the information. This could reduce possible investment loss. When examining measures to enhance the processing of application for HCPs, the Government will closely monitor the development of other personalised transport services (including premium taxis) and consider other viable measures where necessary to allow hire car services to better meet the market demands.

Conclusion

42. Through the efforts of the taxi trade in improving its services, coupled with the Government's endeavour in introducing premium taxis, members of the public will be provided with the choices of two types of taxi services -

- (a) Ordinary taxis: it charges fares according to meters at a level more affordable to the public or be hired as a whole with fares agreed between passengers and service-providers. This type of taxis constitutes the majority of taxi service and the largest numbers in supply; and

- (b) Premium taxis: the choice of premium taxis will be in future be made available to members of the public who have higher expectation of service quality and willing to pay higher fares. During the trial scheme, several hundred premium taxis will be introduced.

43. For those members of the public who prefer higher quality point-to-point personalised transport services, they can book hire car services which are generally charging higher fares. There will not be a lot of hire cars because the maximum number of HCPs for private service (including cross-boundary and local) is capped at 1 500 under the law. Only 600 HCPs have been issued and there is room for approving more HCP applications. Nevertheless, TD must cautiously assess and issue HCPs to ensure operation quality.

44. With the three-pronged approach, viz. improving ordinary taxi service, introducing premium taxis and enhancing the approving for hire car services, we trust that these three services will complement each other and improve the personalised and point-to-point transport services in Hong Kong by more variety of choices to passengers.

Increase of Seating Capacity of PLBs

45. The role of PLBs is to provide supplementary feeder service, as well as to serve areas with relatively lower passenger demand or where the use of high-capacity transport modes is not suitable. It is the Government's established policy to set a limit on the number of PLBs. The current cap is 4 350, of which about 3 180 (about 70%) are green minibuses ("GMBs") and the rest are red minibuses ("RMBs"). In 2015, under the Topical Study of the PTSS, the Government reviewed the statutory cap on the number of PLBs and the carrying capacity of PLBs. The review findings were reported to the Panel in November 2015. Based on the findings, the Government suggested, and the Panel members agreed, that the existing cap of 4 350 on the total number of PLBs should be maintained.

46. As pointed out by the Government to the Panel in November 2015, the overall market demand for PLB service has remained generally stable. Although the average occupancy rate of PLBs currently stands at around 50%, the survey conducted by TD shows that the service demand during peak periods generally increases. Service of some routes is even insufficient to meet demand during those periods. There is thus a need

to study whether the carrying capacity of PLBs is sufficient and whether an increase in the carrying capacity is warranted. At the same time, the PLB trade and other public transport trades hold differing views towards the increase of seating capacity of PLBs. The Government is conducting an in-depth study on this topic under the RPR of PTSS. A consultant has been commissioned to carry out the study.

47. In order to examine whether the carrying capacity of PLBs is sufficient and whether it should be increased, the consultant analysed the data on the operation and occupancy rates of about 510 GMB routes and about 120 RMB routes throughout Hong Kong in 2015¹². As shown in the findings, despite that the cap on the total number of PLBs has remained at 4 350 over the past ten years, there has been growth in both the number of GMBs and GMB route packages, resulting in an increase in the overall supply of GMB service. The number of GMBs has increased from about 2 810 in 2006 to about 3 200 at present, with an average increase of 1.5% per annum. During the same period, the number of GMB route packages has also increased from 147 to 160. The main reasons behind the increase in the number of GMBs are the Government's policy to encourage the conversion of RMBs to GMBs, as well as the need to cater for passenger demand arising from new development areas.

48. The consultancy study shows that while passenger demand for GMB service has remained generally stable, the demand during peak periods and non-peak periods differs quite significantly. The occupancy rates of GMBs during the two periods also vary. The overall average daily (i.e. including both peak and non-peak periods) occupancy rate of GMBs remains at about 50%. The rate is as high as 80% for some routes, and as low as about 20% for some others. However, during the peakiest one hour¹³, the overall average occupancy rate of GMBs rises to about 70%. Almost half of the routes records an average occupancy rate of as high as 80%. On the contrary, during the non-peak periods, the overall average occupancy rate drops to around 40%. Only 5% of the routes records an average occupancy rate of as high as 80%.

¹² The data was obtained from a survey conducted by TD on the services and operation situation of GMBs and RMBs.

¹³ This refers to the hour with the highest service frequency within the daily peak periods (i.e. 7:00 – 10:00 am and 5:00 – 8:00 pm). If the highest service frequency is observed in different periods, the hour with the highest patronage will be used for calculation. For routes which operate outside the above peak periods (e.g. supplementary routes), the hour with the highest service frequency throughout the whole daily operating period will be used for calculation.

49. Another useful indicator to help illustrate passenger demand is the situation of left-behind passengers, who could not board the first minibus available at the terminus (as it is already fully loaded) and have to wait for the next departure. During the peakiest one hour, about 70% of the GMB routes has left-behind passengers at the termini. 10% of these routes has left-behind passengers who have to wait for more than one departure before boarding. Among the routes where the GMBs are already fully loaded at the termini, passengers of about 30% of these routes are unable to board at en-route stops.

50. As regards passenger waiting time, the average waiting time during the peakiest one hour is about 6 minutes. The ratios of GMB routes with waiting time of 5 minutes or below, 5 – 10 minutes and 10 – 30 minutes are about 60%, over 30% and nearly 10% respectively. Waiting time of over 30 minutes is observed in less than 1% of the routes. On the other hand, during non-peak periods, the ratios of GMB routes with waiting time of 5 minutes or below, 5 – 10 minutes and 10 – 30 minutes are nearly 40%, 40% and about 20% respectively. The ratio of routes with waiting time of over 30 minutes during non-peak periods is similar to that in peak periods. Based on the above, it can be observed that waiting time would generally increase during non-peak periods.

51. In terms of service supply, over 40% of GMB routes operate at an average headway of not more than 5 minutes during the peakiest one hour. Nearly 10% of the routes even operate at a headway of not more than 2 minutes. During non-peak periods, only 10% of the routes operate at an average headway of not more than 5 minutes. Instead, more routes (nearly 50%) operate at a headway between 10 to 30 minutes. It is noteworthy that during the peakiest one hour, as many as 80% of GMB routes provides service trips which are more than the number of scheduled trips as set out in the Schedule of Services approved by TD. On average, additional GMB service trips account for over 40% of the total number of operated GMB service trips. This shows the efforts on the part of operators to provide additional service trips for a great number of routes to meet passenger demand during the peakiest one hour.

52. In conclusion, passenger demand for GMB service differs significantly between peak and non-peak periods. On the other hand, the service supply of most GMB routes during the peakiest one hour has almost reached saturation. GMB routes which are already operating at a headway of not more than 2 minutes can hardly further increase their

service frequency or deploy more vehicles to cope with passenger demand.

53. To meet the existing and future passenger demand, there is a need to increase the carrying capacity of PLBs. There are two ways to go about it: either through increasing the number of vehicles or the number of seats on the vehicles. As mentioned in paragraph 48, occupancy rates of most GMB routes vary between peak and non-peak periods. From the perspective of meeting passenger demand, increasing the number of seats should be able to improve the situation during peak periods. Moreover, increasing the number of minibuses will generate additional traffic flow, increase the burden on road traffic and aggravate our traffic congestion problem. Besides, increasing the number of PLBs may also not be a good solution in view of the difficulties in recruiting drivers. As such, the consultant recommends that, the existing cap on the number of PLBs at 4 350 should be maintained, and the number of seats on PLBs should be suitably added to increase the overall carrying capacity of PLBs.

54. Based on the findings of the consultancy study, the Government initially considers that the situation of inadequate GMB service, particularly during the peakiest one hour, can be significantly improved through increasing the seating capacity by not more than 3 seats. The number of GMB routes with left-behind passengers is expected to drop significantly from about 70% to less than 40%. The number of routes with waiting time of over 10 minutes will also reduce from 28 to 6, a decrease of nearly 80%. Increasing the seating capacity by not more than 3 seats can be done within the current statutory limits on PLB dimensions. In fact, the long wheelbase models that are used as PLBs in Hong Kong can basically accommodate 19 seats while still meeting the legal requirements on seat and passage arrangements¹⁴.

55. When considering the suitable number of seat to be added, apart from the need to meet passenger demand, we also have to take into account the overall balance of demand and supply of PLB service. As mentioned above, occupancy rates of most GMBs vary between peak and non-peak periods. If GMBs are allowed to install more than 3 additional seats, there would be an overall supply surplus of GMBs (especially during non-peak periods). This will lead to an imbalance of demand and supply, causing surplus in quite a few GMB routes. In addition, if more

¹⁴ The dimensions of passenger seats, clear spaces between passenger seats and size of gangways on PLBs are all regulated under the law.

than 3 seats are added, taking into account the vehicle models that are more commonly used by operators, it would be necessary to deploy vehicle models with vehicle length exceeding the current statutory limit on the length of PLBs. This would increase the burden on road traffic. Also, at least some of the PLB terminus facilities, boarding and alighting areas and other road designs would have to be modified. Whether these are feasible and desirable has to be further studied separately. Moreover, other public transport trades, including those of franchised buses and taxis, have expressed concerns about the proposal of increasing the seating capacity of PLBs. They are worried that a substantial seat increase would affect the current delicate balance among various public transport services and confuse the roles of different transport services in the public transport system. Based on the various factors mentioned above, we consider that the seat increase should not exceed 3 seats.

56. As regards the exact number of additional seats to be allowed, the consultant will conduct further analysis. Factors for consideration include, among others, the impact on PLB operation, operators' financial conditions, other public transport trades and road use.

57. For RMBs, the demand and supply situation during the peakiest one hour is similar to that of GMBs. The consultancy study shows that an increase of not more than 3 seats can also significantly reduce the number of left-behind passengers and passenger waiting time for RMBs during the peakiest one hour: the number of RMB routes with left-behind passengers is expected to reduce significantly from over 70% to nearly 40%; and the number of RMB routes with passenger waiting time of over 10 minutes will also reduce from 13 to 4, a decrease of nearly 70%. Therefore, the Government preliminarily considers that should there be an increase in the maximum seating capacity of GMBs in future, the same maximum seating capacity should also apply to RMBs. This sits well with the established Government's objective to encourage the conversion of RMBs to GMBs. In this case, operators need not carry out additional vehicle replacement or make extra arrangement for increasing the seating capacity at the time of conversion.

58. One of the key considerations in studying the increase in the seating capacity of GMBs is whether the seat increase should be allowed for all GMBs or only those GMB routes whose service supply is insufficient to meet passenger demand. Upon study, the Government is initially of the view that it is more desirable to allow all GMBs to increase their seating capacity. The main reason is that, on operational grounds, the current policy allows GMB operators to freely deploy

vehicles registered under the same passenger service licence to provide service for different routes under the same route package based on their operational condition. Such flexible vehicle deployment arrangement is very common in GMB operation. It appears more suitable if operators can decide on their own whether the seating capacity should be increased and, if so, the extent of seat increase based on passenger demand.

59. It should be emphasised that the Government's current consideration is to increase the maximum seating capacity of PLBs, rather than to mandate all PLBs to adopt the same seating capacity. PLB operators may take into account the operational condition and passenger demand of various routes under the same route package, and decide on their own whether to increase the seating capacity of their vehicles and, if so, the exact number of seats to be added and the time of implementation. Drawing reference from the existing mechanism of vehicle replacement of GMBs¹⁵, if a GMB operator intends to increase the seating capacity of his minibuses in future, he can simply submit his application to TD in accordance with the existing mechanism. No separate application will be required¹⁶.

60. When considering the increase in the maximum seating capacity of PLBs, we also encourage the trade to carry out improvement measures for PLB service. As reported to the Panel in April this year, TD has been encouraging the trade to install various supplementary facilities¹⁷ to facilitate the use of PLB service by persons with disabilities and elderly. In tandem with the study of the role and positioning of PLB service, TD is also considering to mandate every newly registered GMB to install a half-step at the middle door, handrails and call bells with indication lights. Moreover, the Government is working with the trade to explore whether there are any low-floor wheelchair-accessible PLB models suitable for use in Hong Kong, and to test out whether such models can

¹⁵ Under the Conditions for the Operation of Public Light Bus (Scheduled) Service, if a GMB operator wishes to replace any of the vehicles in the GMB route package under his operation with other licensed PLBs, he has to make an application to TD. In deciding whether to approve the vehicle replacement application, TD will take into account a number of factors, including whether the age of the proposed replacement vehicle is younger than that of the original vehicle.

¹⁶ If an operator opts to increase the seating capacity of a newly procured minibus to replace the original vehicle, he has to apply to TD for a licence for the new vehicle in accordance with the existing mechanism. The vehicle replacement will be done on a one-on-one basis.

¹⁷ TD has been encouraging the trade to install an additional half-step at the middle door and handrails to facilitate boarding and alighting by passengers with minor mobility difficulties and elderly. Meanwhile, TD encourages the trade to install call bells with indication lights inside PLB compartment to help people with hearing or speech impairment to inform the drivers of their intention to alight.

be used for serving some suitable hospital routes. This will help ascertain whether introducing this type of PLBs to serve certain suitable routes would be feasible and desirable. The Government will expect the trade to participate in the test run actively to meet the needs of the community.

The Next Step

61. Subject to Members' views, we will continue to liaise with the trade with a view to determining the policy framework and the details of some key implementation arrangements of introducing the premium taxi trial scheme and increasing the seating capacity of PLBs by around the end of this year. If Members' support can be obtained by then, we will take forward the necessary legal amendment exercise. Similarly, we will complete the review on enhancing the assessment criteria for issuing hire car permits. The outcome will be reported to this Panel in one go at the same time.

Advice Sought

62. Members are invited to comment on the proposals in paragraphs 7 to 60 above.

Transport and Housing Bureau
June 2016

Summary of survey findings on premium taxi services

To gauge the public views on the introduction of premium taxi service, the consultant conducted a telephone survey in May 2016. There were some 2 000 successfully interviewed respondents. The summary of the survey findings are as follows -

1. Public acceptability of premium taxis

- Even without knowing how much the fare of premium taxis would be higher than that of ordinary taxis, over 60% of the respondents already indicate that they would consider using premium taxis of higher quality than ordinary taxis.

2. Expectations on premium taxis

- The respondents indicate the most important aspects of premium taxis are as follows:
 - (a) good attitude of drivers
 - (b) no refusal to hire nor cherry-picking of passengers
 - (c) using the most direct practicable route
 - (d) more spacious compartment
 - (e) better equipped with compartment facilities

3. Fare

- Over 70% of the respondents considers it reasonable for premium taxis to charge a higher fare.
- If the fares of premium taxis will be 60% to 100% higher than that of ordinary taxis (i.e. compared with the current flagfall fare of \$22 for urban taxis, premium taxi fare at flagfall would be about \$35 to \$44), over 3% of the respondents in total indicate that they will definitely

use premium taxis¹⁸. If the fares of premium taxis will be 30% to 50% higher than that of ordinary taxis (i.e. compared with the current flagfall fare of \$22 for urban taxis, the premium taxi fare at flagfall would be about \$29 to \$33), around 9% of the respondents indicate that they will definitely use premium taxis¹⁹.

4. Expected usage

- In general, over 60% of the respondents indicate that they will use premium taxi service at least once a month. Among them, over 40% indicate that they will use premium taxi service at least once a week.
- For the peak hours during the weekdays, about 60% of the respondents indicate that they will use premium taxi service at least once a month. Among them, around 40% indicate that they will use premium taxi service at least once a week.
- For weekends, non-peak hours during the weekdays and public holidays, about 50% of the respondents indicate that they will use premium taxi service at least once a month. Among them, over 35% indicate that they will use premium taxi service at least once a week.

¹⁸ This ratio matches with the percentage that several hundred premium taxis amount to about 3% of 18 000-odd taxis in Hong Kong.

¹⁹ The relevant survey question is – If the fare of premium taxis is higher than that of current ordinary taxis by the following level, would you consider taking a premium taxi?

- (1) Double, i.e. 100% (compared with the current flagfall fare of \$22 for urban taxis, the flagfall fare of premium taxis would be about \$44; compared with the current flagfall fare of \$18.5 for New Territories taxis, the flagfall fare of premium taxis would be about \$37; compared with the current flagfall fare of \$17 for Lantau taxis, the flagfall fare of premium taxis would be about \$34.)
- (2) 60%-90% higher (compared with the current flagfall fare of \$22 for urban taxis, the flagfall fare of premium taxis would be about \$35-\$42; compared with the current flagfall fare of \$18.5 for New Territories taxis, the flagfall fare of premium taxis would be about \$30-\$35; compared with the current flagfall fare of \$17 for Lantau taxis, the flagfall fare of premium taxis would be about \$27-\$32.)
- (3) 30%-50% higher (compared with the current flagfall fare of \$22 for urban taxis, the flagfall fare of premium taxis would be about \$29-\$33; compared with the current flagfall fare of \$18.5 for New Territories taxis, the flagfall fare of premium taxis would be about \$24-\$28; compared with the current flagfall fare of \$17 for Lantau taxis, the flagfall fare of premium taxis would be about \$22-\$26.)

- Over 40% of the respondents indicate that they will use both premium taxis and ordinary taxis at the same time (albeit unsure about whether they will reduce the use of ordinary taxis). More than 30% of the respondents indicate that they will not reduce the use of ordinary taxis if they use premium taxis²⁰. Over 80% of the respondents indicate that they will not reduce the use of their usual means of public transport (other than ordinary taxis) if they use premium taxis. The remaining some 20% of the respondents indicate that they will reduce the use of public transport services (other than ordinary taxis) if they use premium taxis. Of these respondents, about 3% of them indicate that they would reduce of use of private cars²¹.

- Nearly 40% of the respondents indicate that they will use premium taxis more frequently if their income remains stable or on the rise in future and they find premium taxi service satisfactory after use.

²⁰ The relevant survey question is – If premium taxi are launched, how would you expect your usage of premium taxis and current ordinary taxis respectively on (a) peak hours on weekdays, (b) weekends, public holidays or non-peak hours on weekdays?

- (1) would try both, but not sure whether the use of ordinary taxis would be reduced;
- (2) would use premium taxis, but unlikely reduce the use of ordinary taxis;
- (3) would use more premium taxis and reduce the use of ordinary taxis; and
- (4) not sure.

²¹ The relevant survey question is –Would you expect your usage of transport modes other than ordinary taxis would be reduced because of taking premium taxis on (a) peak hours on weekdays and (b) weekends, public holidays or non-peak hours on weekdays?

- (1) would reduce the use of other transport modes: (a) railway; (b) franchised bus; (c) resident's bus service; (d) minibus; (e) ferry; (f) private car; (g) other (please specify); and
- (2) would not reduce the use of other transport modes.

**Revised fare increase applications of
urban, NT and Lantau taxis**

(Note: Items added/revised in April 2016 are shown as underlined)

	Flagfall charge for the first 2 kilometres (“km”) or any part thereof		
	Urban Taxis	NT Taxis	Lantau Taxis
Existing fare	\$22	\$18.5	\$17
The trade’s proposal	\$24 (+\$2)	\$21 (+\$2.5)	<u>\$21</u> (+\$4)
	Incremental charges after flagfall		
	2-9 km:	2-8 km:	2-20 km:
Existing fare	\$1.6 per jump	\$1.4 per jump	\$1.4 per jump
The trade’s proposal	\$1.8 per jump (+\$0.2)	\$1.6 per jump (+\$0.2)	\$1.6 per jump (+\$0.2)
	After 9 km:	After 8 km:	After 20 km:
Existing fare	\$1 per jump	\$1 per jump	\$1.2 per jump
The trade’s proposal	\$1.2 per jump (+\$0.2)	\$1.2 per jump (+\$0.2)	\$1.4 per jump (+\$0.2)

Note (1): Urban, NT and Lantau taxi trades also apply to reduce the waiting time of incremental charges after flagfall from every one minute to every 45 seconds.

Note (2): Urban, NT and Lantau taxi trades also apply to increase the charge for every piece of baggage from \$5 to \$6. Lantau taxi trade also applies to increase the charges for every animal or bird and every hiring arranged through telephone booking from \$5 to \$6.