

立法會
Legislative Council

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Panel on Transport
Meeting on 21 June 2016

Background brief on premium taxis

Purpose

This paper provides background information on the taxi service in Hong Kong and the proposal of introducing premium taxis. It also summarizes the major views and concerns expressed by members of the Panel on Transport ("the Panel") on the latter.

Background

2. Taxis provide a personalized, point-to-point and more comfortable public transport service at a higher fare. There are currently a total of 18 138 taxis. Of these, 15 250 are urban taxis, 2 838 are New Territories ("NT") taxis and 50 are Lantau taxis. Urban taxis may operate anywhere in Hong Kong except South Lantau¹. The permitted operating areas for NT and Lantau taxis are specified in Schedule 7 to the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E). In short, the operating area for NT taxis is confined to the northwest and northeast of NT and major infrastructural developments on the fringe of this permitted operating area. Such developments include the Hong Kong International Airport and Hong Kong Disneyland, as well as certain public transport interchanges². Lantau taxis may only provide service within Lantau (including Chek Lap Kok Island and South Lantau). The three types of taxis have different operating areas to ensure that the more remote areas are also served. The fare scales of the three types of taxis³ are in **Appendix I**.

¹ For the sake of environmental protection, roads in South Lantau are Closed Roads with restricted vehicular access. Access to the area is restricted to vehicles issued with a Lantau Closed Road Permit. Urban taxis cannot operate in South Lantau since they are not issued with such permits.

² NT taxis are permitted to serve major public transport interchanges at Tsing Yi Airport Express Station, Tsuen Wan MTR Station and Hang Hau MTR Station.

³ The urban taxi, NT taxi and Lantau taxi trades submitted fare increase applications and revised fare increase applications to the Transport Department in April 2015 and April 2016 respectively. The applications are being processed.

3. Taxis may pick up passengers on the street or at taxi stands, or provide pre-booked service. Under the law, taxis shall either charge according to the taximeter or be hired as a whole. The fares charged by the taximeter are regulated by the Government, whereas the fare for hire-as-a-whole service will be agreed between the parties providing and receiving the service and is not regulated by law. According to the Administration, the latter type of service can provide flexibility to meet the different needs of passengers.

4. According to the established policy, the Government will issue new taxi licences as and when necessary, having regard to the demand for taxi service, operating situation of the taxi trade, and likely impact of the increase in the number of taxis on traffic conditions. At the Panel meeting held on 16 June 2015, the Administration advised that there was a need to issue new Lantau taxi licences to meet the demand. It also advised that while the actual number of new licences required for Lantau was being studied, the preliminary assessment was that it should be appropriate to increase the number of licenses by about 50% of the existing number.

Proposal of introducing premium taxis

5. At the Panel meeting on 6 November 2015, the Administration advised that there had been heated discussion in the community on taxi service. Many were of the view that the quality of taxi service varied, and there was discontent over behaviours such as refusal to hire and poor attitude of taxi drivers. The Administration had therefore proposed some short, medium and long-term measures to improve taxi service in Hong Kong.⁴ For short-term measures, the Transport Department was helping the taxi trade explore the feasibility of enhancing taxi service within the present legal and regulatory framework. For medium and long-term measures, the Administration would study whether it would be feasible to introduce premium taxis under the Role and Positioning Review of the Public Transport Strategy Study. According to the Administration, the policy objective of introducing premium taxis is to set new service standards for the taxi trade, enhance quality of service and meet the community's demand for diversified services.

Franchise model

6. Members noted that the Administration would study the introduction of premium taxis through a franchise model. According to the Administration, through the franchise model, the granting of time-limited franchises to a few companies to operate premium taxis will enable the Government to set service standards and monitor the operators' performance through franchise terms.

⁴ LC Paper No. CB(4)119/15-16(08)

7. Some members welcomed the introduction of premium taxis and the proposed franchise model as they considered that the non-transferrable franchise would not encourage speculative activities. However, some members pointed out that as some taxi groups had formed their own fleets to operate taxi service, and had set the standards of service level, drivers' work attitude, reward and punishment system as well as vehicle quality for fleet members to follow, the Administration might consider first keeping the situation in view for a period of time to ascertain if such an operation model could address the public calls for improvement in the quality of taxi service before deciding whether or not to introduce premium taxi service.

8. Some members considered that the Administration should consider encouraging the Hong Kong Taxi Trade Council ("HKTTTC") to regulate the trade's performance and consider providing administrative and financial support to HKTTTC to formulate measures to enhance taxi service. Some members urged the Administration to relax the vetting and approval criteria for application for hire car permits to meet the demand of passengers instead. Some members remarked that the Administration should consider the livelihood of existing taxi drivers before implementing any proposals.

9. The Administration advised that the introduction of premium taxis through the franchise model was studied in view of the limitations of the existing taxi operation model in ensuring the overall long-term quality of taxi service. At present, the 18 000 ordinary taxi licences had been issued on permanent basis without any conditions directly related to service quality. As such, the Administration could not impose any penalty against unsatisfactory services through the licence conditions. Regulation of taxi services could only be carried out by enforcement actions under the Road Traffic Ordinance (Cap. 374) and its subsidiary legislation. Yet, the effectiveness of enforcement was subject to constraints in respect of the high threshold for prosecution.

Employer-employee relationship under the franchise model

10. Members noted that under the proposed franchise model, operators would have to maintain an employer-employee relationship with their drivers. Drivers' performance would be monitored and managed centrally by operators. Moreover, operators would have to be of a certain business scale in order to benefit from economies of scale.

11. Some members requested the Administration to consult the taxi trade unions on the details of implementation. Some members opined that the proposal to grant franchise to a company which would have to maintain an employer-employee relationship with its drivers might lead to monopoly. Some members expressed concern that the proposal might constitute over-regulation and violate the principle of free market operation.

12. The Administration explained that the ownership of ordinary taxi licences was scattered. There were over 9 000 licence holders. Taxi owners and drivers did not usually have an employer-employee relationship. Incomes of taxi drivers were not directly related to their service quality. Thus, there was the absence of an incentive mechanism to ensure drivers' service quality. The service quality varied as it depended on the willingness or performance of individual owners or drivers. By maintaining an employer-employee relationship under the franchise, drivers' performance could be monitored and managed centrally by operators.

Other views on details of franchise model

13. Members also expressed views that if premium taxis were introduced, the charges of premium taxi service should be set at a level 30% to 50% higher than that of ordinary taxis. They should only be allowed to provide pre-booked service through mobile applications. Passengers would not be required to provide information on their destinations when they made the bookings and would be charged according to the meter. The mobile application should allow passengers to review a driver's performance by providing a rate on the service provided. In addition, the colour of premium taxis should be different from that of ordinary taxis to reflect their status. In order not to aggravate the traffic congestion problem, part of the existing taxi licences should be allowed to be converted to premium taxis.

Relevant questions raised at Council meetings

14. During the Fifth Legislative Council, Members raised a total of 11 questions relating to taxi service. The hyperlinks to these questions and the Administration's response, together with other relevant papers, are given in **Appendix II**.

Latest position

15. The Administration plans to report to the Panel the progress of the study on premium taxis at the Panel meeting to be held on 21 June 2016.

Fare Scale of Taxi Service

Fare (HK\$)	Urban Taxis (Red)	NT Taxis (Green)	Lantau Taxis (Blue)
Flagfall charge - for the first 2 kilometres or any part thereof	\$22	\$18.5	\$17
Incremental charge - for every subsequent 200 metres or part thereof, or for every period of 1-minute waiting time or part thereof	(Below \$78, i.e. 2-9km) \$1.6 per increment	(Below \$60.5, i.e. 2-8km) \$1.4 per increment	(Below \$143, i.e. 2-20km) \$1.4 per increment
	(Above \$78, i.e. >9km) \$1 per increment	(Above \$60.5, i.e. >8km) \$1 per increment	(Above \$143, i.e. >20km) \$1.2 per increment
Additional charge - Every baggage / every animal or bird / every hiring arranged through telephone booking	\$5	\$5	\$5

Source: Paper provided by the Transport and Housing Bureau and the Transport Department in June 2015 (LC Paper No. CB(4) 1143/14-15(03))

Background brief on taxi service

List of relevant papers

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
5.12.2012	Council meeting	Dr Elizabeth QUAT raised a question on taxi malpractices	http://www.info.gov.hk/gia/general/201212/05/P201212050269.htm
-	-	Joint letter dated 18 November 2013 from Hon WONG Kwok-hing, Hon TANG Ka-piu and Hon KWOK Wai-keung on the operation of taxi trade and Administration's response	CB(1)368/13-14(01) http://www.legco.gov.hk/yr13-14/chinese/panels/tp/papers/tpcb1-368-1-c.pdf CB(1)611/13-14(01) http://www.legco.gov.hk/yr13-14/english/panels/tp/papers/tpcb1-611-1-e.pdf
20.11.2013	Council meeting	Hon Christopher CHUNG raised a question on combating the offer of discounts on taxi fares by using mobile applications	http://www.info.gov.hk/gia/general/201311/20/P201311200259.htm
19.2.2014	Council meeting	Hon WONG Kwok-hing raised a question on taxi drivers using mobile phones while driving	http://www.info.gov.hk/gia/general/201402/19/P201402190431.htm
16.4.2014	Council meeting	Dr KWOK Ka-ki raised a question on taxi services on Lantau Island	http://www.info.gov.hk/gia/general/201404/16/P201404160359.htm
25.6.2014	Council meeting	Hon KWOK Wai-keung raised a question on measures to combat the offer of discounts on taxi fares	http://www.info.gov.hk/gia/general/201406/25/P201406250424.htm

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
-	-	Letter dated 24 July 2014 from Hon Frankie YICK Chi-ming on the impact of taxi-call service mobile applications to taxi trade business and the Administration's response	CB(1)1910/13-14(01) http://www.legco.gov.hk/yr13-14/chinese/panels/tp/papers/tpcb1-1910-1-c.pdf CB(1)1963/13-14(01) http://www.legco.gov.hk/yr13-14/english/panels/tp/papers/tpcb1-1963-1-e.pdf
-	-	Letter dated 15 September 2014 from Hon KWOK Wai-keung on the display of taxi driver identity plates and the Administration's response	CB(1)2029/13-14(01) http://www.legco.gov.hk/yr13-14/chinese/panels/tp/papers/tpcb1-2029-1-c.pdf CB(4)305/14-15(01) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tpcb4-305-1-e.pdf
12.11.2014	Council meeting	Hon KWOK Wai-keung raised a question on offer of discounts on taxi fares	http://www.info.gov.hk/gia/general/201411/12/P201411120387.htm
15.4.2015	Council meeting	Dr CHIANG Lai-wan raised a question on combating illegal carriage of passengers for reward	http://www.info.gov.hk/gia/general/201504/15/P201504140703.htm
29.4.2015	Council meeting	Hon Frankie YICK raised a question on mobile applications for taxi-hailing	http://www.info.gov.hk/gia/general/201504/29/P201504290239.htm
20.5.2015	Council meeting	Hon Frankie YICK raised a question on combating driving during disqualification periods	http://www.info.gov.hk/gia/general/201505/20/P201505200394.htm

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
16.6.2015	Panel on Transport ("TP")	Administration's paper on Public Transport Strategy Study - Taxi service	CB(1)1143/14-15(03) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20150616cb4-1143-3-e.pdf
		Background brief on public transport strategy in Hong Kong prepared by the Legislative Council Secretariat	CB(1)238/14-15(07) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20141125cb1-238-7-e.pdf
		Information note on taxi service in selected places prepared by the Research Office of the Legislative Council Secretariat	IN13/14-15 http://www.legco.gov.hk/research-publications/english/1415in13-taxi-service-in-selected-places-20150612-e.pdf
		Administration's follow-up paper	CB(4)106/15-16(01) http://www.legco.gov.hk/yr14-15/chinese/panels/tp/papers/tp20150616cb4-106-1-c.pdf
17.7.2015	TP	Administration's paper on Public Transport Strategy Study - taxi fuel surcharge	CB(1)1306/14-15(03) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20150717cb4-1306-3-e.pdf
		Information note on taxi fuel surcharge in selected places prepared by the Research Office of the Legislative Council	IN14/14-15 http://www.legco.gov.hk/research-publications/english/1415in14-taxi-fuel-surch

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		Secretariat	arge-in-selected-places-20150713-e.pdf
-	-	Letter dated 7 September 2015 from Hon Michael TIEN Puk-sun on taxi licences	CB(4)1451/14-15(01) http://www.legco.gov.hk/yr14-15/chinese/panels/tp/papers/tpcb4-1451-1-c.pdf
14.10.2015	Council meeting	Hon Charles Peter MOK raised a question on regulation of hire car services	http://www.info.gov.hk/gia/general/201510/14/P201510140400.htm
-	-	Letter dated 9 October 2015 from Hon Charles Peter MOK on the Internet car calling service and hire car sharing service and the Administration's response	CB(4)1517/14-15(01) http://www.legco.gov.hk/yr14-15/chinese/panels/tp/papers/tpcb4-1517-1-c.pdf CB(4)92/15-16(01) http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tpcb4-92-1-e.pdf
6.11.2015	TP	Administration's paper on taxi service	CB(4)119/15-16(08) http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20151106cb4-119-8-e.pdf
		Background brief on taxi service prepared by the Legislative Council Secretariat	CB(4)119/15-16(09) http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20151106cb4-119-9-e.pdf

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		Administration's follow-up paper	CB(4)267/15-16(01) http://www.legco.gov.hk/yr15-16/chinese/panels/tp/papers/tp20151106cb4-267-1-c.pdf
		Minutes of meeting	CB(4)513/15-16 http://www.legco.gov.hk/yr15-16/english/panels/tp/minutes/tp20151106.pdf
20.1.2016	Council meeting	Hon Frankie YICK raised a question on taxi services	http://www.info.gov.hk/gia/general/201601/20/P201601200639.htm

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