

**For discussion
on 16 December 2016**

Legislative Council Panel on Transport Taxi Fare Increase Applications

Purpose

This paper invites Members' views on the fare increase applications made by the taxi trade.

The Applications

2. The urban, New Territories ("NT") and Lantau taxi trade submitted applications to the Transport Department ("TD") in April 2016 for increasing their respective flagfall charges and subsequent incremental charges, as well as shortening the waiting time. The average rate of the proposed fare increase is 15.97% for urban taxis, 17.35% for NT taxis and 18.18% for Lantau taxis. Details are set out in the table below -

	Urban Taxis	NT Taxis	Lantau Taxis
	Flagfall charge for the first 2 kilometres ("km") or any part thereof		
Existing fare	\$22	\$18.5	\$17
<i>The trade's proposal</i>	\$24 (+\$2)	\$21 (+\$2.5)	\$21 (+\$4)
	Incremental charges after flagfall		
	<i>2-9 km :</i>	<i>2-8 km :</i>	<i>2-20 km :</i>
Existing fare	\$1.6 per jump	\$1.4 per jump	\$1.4 per jump
<i>The trade's proposal</i>	\$1.8 per jump (+\$0.2)	\$1.6 per jump (+\$0.2)	\$1.6 per jump (+\$0.2)
	<i>After 9 km :</i>	<i>After 8 km :</i>	<i>After 20 km :</i>
Existing fare	\$1 per jump	\$1 per jump	\$1.2 per jump
<i>The trade's proposal</i>	\$1.2 per jump (+\$0.2)	\$1.2 per jump (+\$0.2)	\$1.4 per jump (+\$0.2)
	Waiting time		
Existing arrangement	60 seconds		
<i>The trade's proposal</i>	45 seconds		

3. In addition, the three taxi trade applied for increasing the additional fare for every article of baggage carried by \$1 (i.e. from \$5 to \$6). The Lantau taxi trade individually applied for increasing the additional fares for every animal or bird carried and every hiring arranged through telephone booking by \$1 each (i.e. from \$5 to \$6).

Assessment Criteria

4. Taxis provide a personalised point-to-point public transport service. The Government has all along considered taxi fare increase applications in accordance with the following major criteria -

- (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 vehicle availability, passenger waiting time and passengers' feedback on service;
- (c) the need to maintain a reasonable differential between taxi fares and those of other public transport modes;
- (d) public acceptability of the proposed fares; and
- (e) that the taxi fare structure should be "front-loaded" and thereafter on a varying descending scale for incremental charges.

5. The scale of fares for hiring taxis is specified in Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D). Under section 7(1C) of the Road Traffic Ordinance (Cap. 374), the Executive Council ("ExCo") may make an Amendment Regulation to give effect to adjustment in fares for hiring urban, NT and Lantau taxis. In the course of assessing taxi fare increase applications, the Government will take into account the views of the Legislative Council ("LegCo") Panel on Transport and the Transport Advisory Committee before submitting its recommendations to ExCo. The new fares have to go through negative vetting by LegCo before implementation.

Operation Status

Background of the Trade

6. There are at present a total of 18 163 taxis. 15 250 are urban taxis, 2 838 are NT taxis and 75 are Lantau taxis. About 60% (as at end September) are owned by individuals whilst the remaining by companies. Taxi trade mainly consists of rentee-drivers, rentor-owners and owner-drivers¹. Based on the number of taxi driver identity plates issued², it is estimated that there are currently about 40 000 drivers.

Operating Data and Prospect

7. TD conducts regular taximeter reading surveys, as well as collects information on income of taxi drivers through surveys. On the other hand, TD will gather data on taxi operating costs from taxi owners and taxi trade associations through surveys³. TD will also obtain the price of Liquefied Petroleum Gas (“LPG”) from the LPG suppliers.

8. The fares for urban, NT and Lantau taxis were last increased in December 2013 by an average rate of 7.11%, 9.04% and 8.83% respectively. Since the last fare increase, there was a slight increase in real terms after netting off inflation in the average monthly net income of rentee-drivers of urban, NT and Lantau taxis in 2016 (January – June), as compared with that in 2014 (January – December), but the extent was not huge, ranging from 4.7% to 8.8%. For owner-drivers, there was a drop in the monthly net income of urban drivers (1.4%), and a slight increase in that of NT and Lantau drivers, ranging from 1.5% to 3.3%. There was a drop in the average monthly net income of all rentor-owners, ranging from 3.2% to 11.5%. Details are set out in the table below –

¹ Rentee-drivers hire taxis from taxi owners. Owner-drivers own and drive the taxis themselves; some also rent their taxis out to rentee-drivers for one shift. Rentor-owners do not drive their taxis but rent them out to rentee-drivers.

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

³ Apart from gathering data on taxi operating costs (including rental, maintenance fee and insurance fee) through surveys, TD also makes reference to the vehicle mileage obtained from taximeter reading surveys to project the fuel cost.

	Average monthly net income (\$)			Change in percentage (%)	
	2014 (January – December) (a)	2015 (January – December) (b)	2016 (January – June) (c)	Change of 2016 over 2014 ⁴ (i.e. (c) compared with (a))	Change in real terms after netting off inflation ⁵
Rentee-driver					
Urban	15,850	17,584	17,463	+10.2	+4.7
NT	13,857	15,332	15,581	+12.4	+6.8
Lantau	16,127	18,998	18,476	+14.6	+8.8
Owner-driver					
Urban	29,842	31,270	30,966	+3.8	-1.4
NT	21,889	23,633	23,790	+8.7	+3.3
Lantau	26,361	29,098	28,161	+6.8	+1.5
Rentor-owner					
Urban	14,286	13,995	13,820	-3.3	-8.1
NT	7,729	7,969	7,871	+1.8	-3.2
Lantau	10,325	10,036	9,621	-6.8	-11.5

The data of the respective operating costs and revenue (along with net income) of the three types of taxis is set out at **Annex 1**.

9. While the above information shows that there was an increase in real terms after netting off inflation in the average monthly net income of rentee-drivers from January 2014 to June 2016, the extent of the increase was moderate⁶, mainly because the fuel cost remained at a low

⁴ As compared with 2014 (January – December) (the first year following the last taxi fare increase), the change of the average operating data in nominal terms (without taking into account inflation) in 2016 (January – June).

⁵ As compared with 2014 (January – December), the Composite Consumer Price Index, which measures inflation in the consumer domain, rose by 5.3% in 2016 (January – June).

⁶ While the real income of rentee-drivers increased in the range of 7.4% to 14.4% in 2015 when compared with that in 2014, their real income dropped in the range of 0.6% to 4.8% in the first six months in 2016 when compared with that in 2015 (whole year). There was an increase in the real income in the range of 4.7% to 8.8% in the first six months in 2016 when compared with that in 2014 (whole year).

level in the past two years.⁷ However, fuel price has been volatile and there may be upside risks in the period ahead⁸. Inflation is also expected to persist⁹. Such risk of rising costs may lead to a drop in the real income of rentee-drivers. Besides, in view of the commissioning of new railway lines¹⁰, the trade expressed that there would be more pressure on their operation. In fact, as compared with other major cities, the taxi fare level in Hong Kong is relatively low in general (details are at **Annex 2**). The new fares, even if supported by this Panel, can only take effect in around mid-2017 the earliest, which will be about three and a half years since the last fare increase by end 2013, as the proposal will have to go through legislative procedures.

10. The current average monthly net income of rentee-drivers is around \$16,000 to \$18,000. According to the information provided by the Census and Statistics Department, the average monthly salary of the transport trade has reached \$19,215 in the second quarter of 2016. Comparatively speaking, it is difficult for the taxi trade to attract new blood. Furthermore, 80% of the taxi drivers at present are aged 50 years or above, and the average age is 58 years old. Meanwhile, the taxi service quality is of public concern¹¹. The trade hopes that through increasing drivers' income, new blood will be attracted to enter the market and the trade will be encouraged to improve their service and

⁷ The average LPG ceiling prices at dedicated LPG filling stations are \$4.78 per litre in 2014 and \$3.05 per litre in 2015.

⁸ The spot price of Brent Crude oil has increased from US\$44.8 per barrel in mid-September this year to US\$51.6 per barrel in mid-October but dropped to US\$43.7 per barrel in mid-November. As at 5 December, the spot price was US\$53.4 per barrel. On the other hand, the one-year future price has increased from US\$49.2 per barrel in mid-September this year to US\$56.0 per barrel in early December.

⁹ As compared with 2014 (January – December), the Composite Consumer Price Index, which measures inflation in the consumer domain, rose by 5.3% in 2016 (January – June).

¹⁰ New railway lines include the Kwun Tong Line Extension and South Island Line (East).

¹¹ According to the information of the Transport Complaint Unit of the Transport Advisory Committee, the number of complaints on taxi service slightly increased in the past two years, which were 10 060 cases in 2014 and 10 359 cases in 2015. The number of complaints in first nine months of 2016 remained stable as compared with the same period in the past two years, which were 7 710 cases (2016), 7 691 cases (2015) and 7 562 cases (2014).

invest more in new facilities, so as to enhance the overall taxi service quality.

11. In respect of taxi rental, it has all along been a commercial arrangement between owners and drivers in free market. The rental changes according to the supply and demand in the market. The rental level of individual vehicles will also be affected by factors including vehicle models, age and maintenance. We understand that if the taxi fares are adjusted, vehicle owners will normally observe the changes in business and revenue after the fare adjustment, before discussing with driver groups on the rental adjustment having regard to the actual situation. As regards the present fare increase applications, while the net income of rentor-owners dropped because of the increasing maintenance and insurance costs, we understand that some car dealers have already agreed that they will first observe the situation of drivers' income, and having regard to the circumstances, they will then decide whether or not to adjust the rental after the new fares are implemented for about three to six months.

12. In considering the fare increase applications, the Government will base on the various criteria set out in paragraph 4 above and take into account the views of this Panel and the Transport Advisory Committee. We will carefully process the applications with a view to ensuring the long-term healthy development of the taxi trade and performing our gate-keeper role effectively.

13. Besides, the community in general is concerned about the taxi service quality. The trade also agrees that the service could be improved. In this regard, as we reported to this Panel in June this year, 17 taxi associations formed the Hong Kong Taxi Council in November 2015 with an objective to improve their service quality through self-regulation by the trade. The Council has introduced or considered various measures, such as discussing with the Employees Retraining Board the organisation of retraining programme for taxi drivers in order to enhance their service standard. The Council launched a mobile application for hailing taxi service in May this year. Passengers may hail taxis through the application and choose taxis that are driven by certified drivers, as well as rate and comment on drivers' performance. The Council is considering updating the application according to the implementation experience. Furthermore, more operators are providing pre-booked taxi service of higher quality in the form of hire-as-a-whole service in accordance with the law. The fare will be agreed between the parties providing and receiving the service. 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 over 150 at present. TD will continue to closely communicate with the trade. As for the proposal to introduce premium taxis, we will report to the Panel on how to enhance the personalised point-to-point transport services in the first quarter next year.

Advice Sought

14. To facilitate the Government's further consideration of the fare increase applications, Members are invited to comment on the applications set out in paragraphs 2 and 3 above.

**Transport and Housing Bureau
December 2016**

Annex 1

Monthly average operating revenue, costs and net income of taxi operators from 2014 to 2016 (January to June)

Operating data of urban taxis

	Rentee-driver	Owner-driver	Rentor-owner
(a) Average monthly operating revenue			
2014 (Jan to Dec)	\$31,229	\$41,907	\$21,299
2015 (Jan to Dec)	\$31,624	\$42,471	\$21,637
2016 (Jan to Jun)	\$31,256	\$42,103	\$21,637
<i>Change over 2014 (Jan to Dec)</i> ¹	+0.1 %	+0.5 %	+1.6 %
<i>(Change in real terms after netting off inflation)</i> ²	(-4.9 %)	(-4.5%)	(-3.5%)
(b) Average monthly operating costs ³			
2014 (Jan to Dec)	\$15,379	\$12,065	\$7,013
2015 (Jan to Dec)	\$14,040	\$11,201	\$7,642
2016 (Jan to Jun)	\$13,793	\$11,137	\$7,817
<i>Change over 2014 (Jan to Dec)</i>	-10.3%	-7.7 %	+11.5 %
<i>(Change in real terms after netting off inflation)</i>	(-14.8%)	(-12.3%)	(+5.9%)
(c) Average monthly net income			
2014 (Jan to Dec)	\$15,850	\$29,842	\$14,286
2015 (Jan to Dec)	\$17,584	\$31,270	\$13,995
2016 (Jan to Jun)	\$17,463	\$30,966	\$13,820
<i>Change over 2014 (Jan to Dec)</i>	+10.2%	+3.8%	-3.3%
<i>(Change in real terms after netting off inflation)</i>	(+4.7%)	(-1.4%)	(-8.1%)

¹ This is the nominal change (i.e. without taking into account inflation) compared with the average monthly operating figures from January to December 2014 (i.e. the first year following the last taxi fare increase).

² As compared with 2014 (January – December), the Composite Consumer Price Index, which measures inflation in the consumer domain, rose by 5.3% in 2016 (January – June).

³ For rentee-drivers, their monthly operating costs comprise fuel and rental.
For owner-drivers, their monthly operating costs comprise fuel, vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.
For rentor-owners, their monthly operating costs comprise vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.

Operating data of NT taxis

	Rentee-driver	Owner-driver	Rentor-owner
(a) Average monthly operating revenue			
2014 (Jan to Dec)	\$25,674	\$32,824	\$14,300
2015 (Jan to Dec)	\$26,161	\$33,805	\$15,288
2016 (Jan to Jun)	\$26,215	\$33,885	\$15,340
<i>Change over 2014 (Jan to Dec)</i>	+2.1%	+3.2%	+7.3%
<i>(Change in real terms after netting off inflation)</i>	(-3.0%)	(-1.9%)	(+1.9%)
(b) Average monthly operating cost			
2014 (Jan to Dec)	\$11,817	\$10,935	\$6,571
2015 (Jan to Dec)	\$10,829	\$10,172	\$7,319
2016 (Jan to Jun)	\$10,634	\$10,095	\$7,469
<i>Change over 2014 (Jan to Dec)</i>	-10.0%	-7.7%	+13.7%
<i>(Change in real terms after netting off inflation)</i>	(-14.5%)	(-12.3%)	(+8.0%)
(c) Average monthly net income			
2014 (Jan to Dec)	\$13,857	\$21,889	\$7,729
2015 (Jan to Dec)	\$15,332	\$23,633	\$7,969
2016 (Jan to Jun)	\$15,581	\$23,790	\$7,871
<i>Change over 2014 (Jan to Dec)</i>	+12.4%	+8.7%	+1.8%
<i>(Change in real terms after netting off inflation)</i>	(+6.8%)	(+3.3%)	(-3.2%)

Operating data of Lantau taxis

	Rentee-driver	Owner-driver	Rentor-owner
(a) Average monthly operating revenue			
2014 (Jan to Dec)	\$31,403	\$40,741	\$18,676
2015 (Jan to Dec)	\$32,811	\$42,311	\$19,000
2016 (Jan to Jun)	\$31,739	\$41,239	\$19,000
<i>Change over 2014 (Jan to Dec)</i>	<i>+1.1%</i>	<i>+1.2%</i>	<i>+1.7%</i>
<i>(Change in real terms after netting off inflation)</i>	<i>(-4.0%)</i>	<i>(-3.8%)</i>	<i>(-3.3%)</i>
(b) Average monthly operating cost			
2014 (Jan to Dec)	\$15,276	\$14,380	\$8,351
2015 (Jan to Dec)	\$13,813	\$13,213	\$8,964
2016 (Jan to Jun)	\$13,263	\$13,078	\$9,379
<i>Change over 2014 (Jan to Dec)</i>	<i>-13.2%</i>	<i>-9.1%</i>	<i>+12.3%</i>
<i>(Change in real terms after netting off inflation)</i>	<i>(-17.5%)</i>	<i>(-13.6%)</i>	<i>(+6.7%)</i>
(c) Average monthly net income			
2014 (Jan to Dec)	\$16,127	\$26,361	\$10,325
2015 (Jan to Dec)	\$18,998	\$29,098	\$10,036
2016 (Jan to Jun)	\$18,476	\$28,161	\$9,621
<i>Change over 2014 (Jan to Dec)</i>	<i>+14.6%</i>	<i>+6.8%</i>	<i>-6.8%</i>
<i>(Change in real terms after netting off inflation)</i>	<i>(+8.8%)</i>	<i>(+1.5%)</i>	<i>(-11.5%)</i>

Taxi fare comparison

	Hong Kong¹ (current fare)	Tokyo	London	New York	Sydney
Flagfall charge	HK\$22 for the first 2 km	About HK\$53.6 for the first 2 km	About HK\$27 for the first 0.15 miles	About HK\$19.4 for the first 0.2 miles	About HK\$21.3 for the first 1km
Subsequent charge	HK\$1.6 per jump for every 200 m from 2 km to 9 km HK\$1 per jump for every 200 m after 9 km	About HK\$6.6 per jump for every 280 m	About HK\$2.1 per jump for every 123.9 m or 86.9 m (depending on short-haul or long-haul distance)	About HK\$3.9 per jump for every 0.2 miles	About HK\$13 per jump for every km
Peak/night hours/specified area surcharges	No	Yes	Yes	Yes	Yes

¹ Fares of urban taxis