

**立法會**  
***Legislative Council***

LC Paper No. CB(4)285/16-17(06)

Ref. : CB4/PL/TP

**Panel on Transport**  
**Meeting on 16 December 2016**

**Background brief on taxi fare adjustments**

**Purpose**

This paper provides background information on the mechanism on which taxi fare adjustment applications are considered and approved. It also summarizes the major concerns expressed by Legislative Council ("LegCo") Members on matters relating to taxi fare adjustment applications in recent years.

**Background**

2. Taxi fare increase applications are considered by the Administration in accordance with the following guiding principles -

- (a) the need to ensure the financial viability of taxi operation, taking into consideration changes in revenue and operating costs;
- (b) the need to maintain a satisfactory 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 which should be "front-loaded" with a varying descending scale of incremental charges<sup>1</sup>.

3. The scale of fares for the hiring of taxis is specified in Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D). Under section 7(1C) of the Road Traffic Ordinance (Cap. 374), the Chief Executive in Council ("CE-in-Council") may make Amendment Regulation to give effect to adjustment in the fares for the hiring of urban, the New Territories ("NT") and Lantau taxis, subject to negative vetting by LegCo. In the course of assessing the taxi fare increase applications, the Administration will take into account the views of the LegCo's Panel on Transport ("the Panel") and the Transport Advisory Committee before submitting its recommendations to CE-in-Council.

4. The fares for urban, NT and Lantau taxis were last increased on 8 December 2013 by an average rate of 7.11%, 9.04% and 8.83% respectively<sup>2</sup>.

5. According to the Administration<sup>3</sup>, the urban, NT and Lantau taxi trades submitted applications to increase fare to the Transport Department ("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 how to improve service quality. The trade acknowledged in public that there was room for service improvement. Given the situation, the Administration advised the Panel in 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. The Administration informed the Panel in June 2016 that the three taxi trades submitted revised fare increase applications to TD in April 2016. The average rate of the proposed increase is 16% for urban taxis, 17% for NT taxis and 18% for Lantau taxis. Details are in **Appendix I**.

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

<sup>2</sup> LegCo Brief: File ref.: THB(T)L 3/3/5

<sup>3</sup> LC Paper No. CB(4)1124/15-16(01)

## **Members' major concerns on matters relating to taxi fare in recent years**

### Taxi fare

#### *Taxi fare increase applications in 2013*

6. The Panel was last consulted on the fare adjustment applications made by the urban, NT and Lantau taxi trades in June 2013. Members generally supported the proposed taxi fare increase applications. In October 2013, the Subcommittee on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2013 was formed to examine the Road Traffic (Public Service Vehicles) (Amendment) Regulation 2013, which aimed to give effect to the approved fare adjustments for taxis as mentioned in paragraph 4 above. Members had no objection to the rate of fare increase so as to help the taxi trade to cope with the escalating costs for operation. Some members were concerned over whether the fare adjustments would help alleviate the operating cost pressure of rentee-drivers, having regard to the likely corresponding increase in taxi rental as a result of the fare adjustment.

7. The Administration then advised that taxi rental was a commercial arrangement between drivers and owners and the level of the rental was determined by the market. In June 2013, some major taxi owners openly committed that they would not increase taxi rental within three months after the fare adjustments took effect.

#### *Effect of changes in fuel prices on taxi fares and suggestion of introducing a taxi fuel surcharge*

8. In 2016, some Members questioned whether there was room for operators of various public transport services, including taxis, to reduce their fares due to the low levels of international crude oil prices.

9. In response to a question raised at the Council meeting on 22 June 2016, the Administration advised that it had been closely monitoring the impact of fluctuations in fuel prices on the fares of public transport services. It said that fuel prices started to fall from a high level in mid-2014. The drop was over 70% by the beginning of 2016. Prices then started to rally and have doubled so far. Although fuel expenses would inevitably affect operating costs, they only accounted for about 20% of the operating costs of taxis at present. Other operating cost components included wages, repair and maintenance cost, insurance,

etc. The costs for these had basically been increasing in recent years.

10. The Administration added that the lowered liquefied petroleum gas ("LPG") price had the actual effect of delaying fare increases for taxis. The last taxi fare increase applications were made in 2013.

11. Some Members requested the Administration to study the suggestion of introducing a fuel surcharge so that there can be an additional channel for collecting extra fare apart from the regular taxi fare adjustment mechanism in times of fuel price fluctuations.

12. The Administration said that it had studied the above suggestion under the Topical Study of the Public Transport Strategy Study. At the Panel meeting on 17 July 2015, it reported that the Government had taken into account a number of factors when processing the taxi fare increase applications. This arrangement had so far been able to cater for and balance the needs of different stakeholders as well as the actual operating conditions of the trade. Introducing a fuel surcharge would in practice single out fuel cost. According to the Administration, a surcharge system which allowed automatic adjustment would mean a circumvention of the gate-keeping function that the Government had been performing each time when it vetted a fare increase application. The expenses incurred by an increase in fuel price would also be fully or partially transferred to the passengers. The Administration was of the view that a taxi fuel surcharge mechanism should not be introduced<sup>4</sup>.

### Operating environment of taxis

#### *Measures to enhance the operating environment of taxis*

13. From time to time, Panel members have raised concern over the difficult operating situation of the taxi trade. Some members remarked that the income of taxi drivers was not improved by taxi fare increase as the additional income generated from fare increase was offset by the increase in rental cost of taxis. They urged the Administration to take effective measures to improve the income of taxi drivers and the operating situation of the taxi trade, such as setting up more taxi stands, increasing the number of pick-up/drop-off points for taxis, increasing the number of dedicated LPG filling stations and introducing a taxi fuel surcharge to mitigate the impact of fuel price fluctuations on income of taxi drivers.

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<sup>4</sup> LC Paper No. CB(4)1306/14-15(03)

14. The Administration advised that it had all along been taking various measures to help improve the operating environment of the taxi trade, including setting up taxi stands and designating pick-up/drop-off points at suitable locations. Since 2003, TD had put in place a relaxation scheme for "peak-hour" and "7 am to 7 pm" no stopping restrictions on roads with speed limits less than 70 kilometres per hour for taxis. TD had also been liaising with the taxi trade to understand their operating difficulties and would duly assess their fare increase applications having regard to, among other things, the change in operating costs and the need to provide a better income to taxi drivers.

*Concerns over illegal carriage of passengers for reward and offer of discounts on taxi fares*

15. Some Members expressed concern that quite a number of owners of van-type light goods vehicles ("LGV") and private cars without hire car permits have been engaging in the business of carrying passengers for hire or reward (illegal car hire service). In addition, quite a number of developers of mobile applications for taxi-call service ("apps") offer, for the purpose of soliciting business, partial fare rebates to passengers using their apps to call taxis by various means. As a result, taxi drivers not using the relevant apps are facing unfair competition. Those Members urged the Administration to combat these illegal activities to safeguard the livelihood of taxi drivers.

16. The Administration advised that pursuant to Section 52 of the Road Traffic Ordinance (Cap. 374), it is an offence for any person to use LGVs or private cars without hire car permits for carrying passengers for hire or reward. It is also an offence to solicit or attempt to solicit any person for hire or reward to travel in an LGV or a private car. The Government will continue to combat illegal carriage of passengers for reward through efforts on three fronts, namely law enforcement, publicity and education.

*Concerns over the introduction of premium taxis*

17. According to the Administration, there is a certain demand in the community for personalized 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. Members noted that 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 hire car permits to keep up with the times and to increase the supply of hire car services as necessary.

18. At the Panel meeting on 21 June 2016, most members expressed reservation about the Administration's proposal to introduce premium taxis. Some members considered that given the existing difficult operating environment of the taxi trade and shrinking market due to the commissioning of a few new railway lines in the coming years, the introduction of premium taxis would further intensify competition within the trade and aggravate the trade's operating difficulties.

19. In response, the Administration advised that the policy objectives of introducing premium taxis by the Government were to provide passengers with an additional choice other than ordinary taxis and address the needs of passenger groups with higher disposable income. It would be basically a move to expand the customer base. According to the Administration, ordinary taxis will remain the major source of supply of personalized and point-to-point public transport service. Having different clientele, premium taxis will not and cannot replace ordinary taxis.

#### *Concerns over discount gangs*

20. From time to time, Members raised concern that some taxi drivers offering fare discounts to passengers (commonly known as "discount gangs") have been soliciting business by making use of taxi-call service mobile apps. They are concerned over the Administration's measures to combat these illegal activities to safeguard the livelihood of those taxi drivers who charge fares according to taximeters. Some Members urged the Administration to introduce legislation to ensure payment of metered fares by passengers.

21. In response, the Administration advised that according to the "soliciting" behaviour prescribed under regulation 40 of the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D), if any taxi driver or his/her representative in any manner attracts or endeavours to attract any person in order to induce such person to make use of his/her vehicle, he/she commits an offence. After the implementation of the taxi fare structure that increased short-haul fares and lowered long-haul fares from late 2008, i.e. fare per kilometre for long-haul trips is lower than that for

short-haul ones, the situation whereby a taxi driver would offer fare discounts on his/her own initiative has become less prevalent.

### **Relevant questions raised at Council meeting and other relevant papers**

22. During the Fifth Legislative Council, 14 questions relating to taxi fares or services were raised at the Council meetings. The hyperlinks to these questions and the Administration's response, together with relevant papers, are listed in **Appendix II**.

### **Latest developments**

23. The Administration plans to consult the Panel at its meeting on 16 December 2016 on the revised fare adjustment applications submitted by the urban, NT and Lantau taxi trades in April 2016.

Council Business Division 4  
Legislative Council Secretariat  
12 December 2016

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

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

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



## Background brief on taxi fare adjustments

## 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	<a href="http://www.info.gov.hk/gia/general/201212/05/P201212050269.htm">http://www.info.gov.hk/gia/general/201212/05/P201212050269.htm</a>
21.6.2013	Panel on Transport ("TP")	Administration's paper on taxi fare increase applications	CB(1)1298/12-13(03) <a href="http://www.legco.gov.hk/yr12-13/english/panels/tp/papers/tp0621cb1-1298-3-e.pdf">http://www.legco.gov.hk/yr12-13/english/panels/tp/papers/tp0621cb1-1298-3-e.pdf</a>
		Background brief on taxi fare adjustments prepared by the Legislative Council Secretariat	CB(1)1298/12-13(04) <a href="http://www.legco.gov.hk/yr12-13/english/panels/tp/papers/tp0621cb1-1298-4-e.pdf">http://www.legco.gov.hk/yr12-13/english/panels/tp/papers/tp0621cb1-1298-4-e.pdf</a>
		Minutes of the meeting	CB(1)466/13-14 <a href="http://www.legco.gov.hk/yr12-13/english/panels/tp/minutes/tp20130621.pdf">http://www.legco.gov.hk/yr12-13/english/panels/tp/minutes/tp20130621.pdf</a>
10.2013	Subcommittee on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2013	Legislative Council Brief on "Taxi Fare Increase Applications"	THB(T)L 3/3/5 <a href="http://library.legco.gov.hk:1080/articles/1160106.233475/1.PDF">http://library.legco.gov.hk:1080/articles/1160106.233475/1.PDF</a>
		Legal Service Division Report	LS4/13-14 <a href="http://www.legco.gov.hk/yr13-14/english/hc/papers/hc1018ls-4-e.pdf">http://www.legco.gov.hk/yr13-14/english/hc/papers/hc1018ls-4-e.pdf</a>

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		Report of the Subcommittee on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2013	CB(2)222/13-14 <a href="http://www.legco.gov.hk/yr13-14/english/hc/papers/hc1101cb2-222-e.pdf">http://www.legco.gov.hk/yr13-14/english/hc/papers/hc1101cb2-222-e.pdf</a>
20.11.2013	Council meeting	Hon Christopher CHUNG raised a question on combating the offer of discounts on taxi fares by using mobile applications	<a href="http://www.info.gov.hk/gia/general/201311/20/P201311200259.htm">http://www.info.gov.hk/gia/general/201311/20/P201311200259.htm</a>
19.2.2014	Council meeting	Hon WONG Kwok-hing raised a question on taxi drivers using mobile phones while driving	<a href="http://www.info.gov.hk/gia/general/201402/19/P201402190431.htm">http://www.info.gov.hk/gia/general/201402/19/P201402190431.htm</a>
16.4.2014	Council meeting	Dr KWOK Ka-ki raised a question on taxi services on Lantau Island	<a href="http://www.info.gov.hk/gia/general/201404/16/P201404160359.htm">http://www.info.gov.hk/gia/general/201404/16/P201404160359.htm</a>
25.6.2014	Council meeting	Hon KWOK Wai-keung raised a question on measures to combat the offer of discounts on taxi fares	<a href="http://www.info.gov.hk/gia/general/201406/25/P201406250424.htm">http://www.info.gov.hk/gia/general/201406/25/P201406250424.htm</a>
12.11.2014	Council meeting	Hon KWOK Wai-keung raised a question on offer of discounts on taxi fares	<a href="http://www.info.gov.hk/gia/general/201411/12/P201411120387.htm">http://www.info.gov.hk/gia/general/201411/12/P201411120387.htm</a>
15.4.2015	Council meeting	Dr CHIANG Lai-wan raised a question on combating illegal carriage of passengers for reward	<a href="http://www.info.gov.hk/gia/general/201504/15/P201504140703.htm">http://www.info.gov.hk/gia/general/201504/15/P201504140703.htm</a>
29.4.2015	Council meeting	Hon Frankie YICK raised a question on mobile applications for taxi-hailing	<a href="http://www.info.gov.hk/gia/general/201504/29/P201504290239.htm">http://www.info.gov.hk/gia/general/201504/29/P201504290239.htm</a>

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
-	-	Information note on taxi service in selected places prepared by the Research Office of the Legislative Council Secretariat	IN13/14-15 <a href="http://www.legco.gov.hk/research-publications/english/1415in13-taxi-service-in-selected-places-20150612-e.pdf">http://www.legco.gov.hk/research-publications/english/1415in13-taxi-service-in-selected-places-20150612-e.pdf</a>
17.7.2015	TP	Administration's paper on Public Transport Strategy Study - taxi fuel surcharge	CB(1)1306/14-15(03) <a href="http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20150717cb4-1306-3-e.pdf">http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20150717cb4-1306-3-e.pdf</a>
		Information note on taxi fuel surcharge in selected places prepared by the Research Office of the Legislative Council Secretariat	IN14/14-15 <a href="http://www.legco.gov.hk/research-publications/english/1415in14-taxi-fuel-surcharge-in-selected-places-20150713-e.pdf">http://www.legco.gov.hk/research-publications/english/1415in14-taxi-fuel-surcharge-in-selected-places-20150713-e.pdf</a>
		Minutes of the meeting	CB(4)228/15-16 <a href="http://www.legco.gov.hk/yr14-15/english/panels/tp/minutes/tp20150717.pdf">http://www.legco.gov.hk/yr14-15/english/panels/tp/minutes/tp20150717.pdf</a>
14.10.2015	Council meeting	Hon Charles Peter MOK raised a question on regulation of hire car services	<a href="http://www.info.gov.hk/gia/general/201510/14/P201510140400.htm">http://www.info.gov.hk/gia/general/201510/14/P201510140400.htm</a>
6.11.2015	TP	Administration's paper on taxi service	CB(4)119/15-16(08) <a href="http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20151106cb4-119-8-e.pdf">http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20151106cb4-119-8-e.pdf</a>

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		Background brief on taxi service prepared by the Legislative Council Secretariat	CB(4)119/15-16(09) <a href="http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20151106cb4-119-9-e.pdf">http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20151106cb4-119-9-e.pdf</a>
		Administration's follow-up paper	CB(4)267/15-16(01) <a href="http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20151106cb4-267-1-e.pdf">http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20151106cb4-267-1-e.pdf</a>
		Minutes of meeting	CB(4)513/15-16 <a href="http://www.legco.gov.hk/yr15-16/english/panels/tp/minutes/tp20151106.pdf">http://www.legco.gov.hk/yr15-16/english/panels/tp/minutes/tp20151106.pdf</a>
9.12.2015	Council meeting	Hon Frankie YICK raised a question on combating malpractices of taxi drivers	<a href="http://www.info.gov.hk/gia/general/201512/09/P201512090374.htm">http://www.info.gov.hk/gia/general/201512/09/P201512090374.htm</a>
20.1.2016	Council meeting	Hon Frankie YICK raised a question on taxi service	<a href="http://www.info.gov.hk/gia/general/201601/20/P201601200639.htm">http://www.info.gov.hk/gia/general/201601/20/P201601200639.htm</a>
21.6.2016	TP	Administration's paper on Public Transport Strategy Study - Role and Positioning Review on premium taxis and increasing the seating capacity of public light buses	CB(4)1124/15-16(01) <a href="http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20160621cb4-1124-1-e.pdf">http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20160621cb4-1124-1-e.pdf</a>

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		Background brief on premium taxis prepared by the Legislative Council Secretariat	CB(4)1124/15-16(02) <a href="http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20160621cb4-1124-2-e.pdf">http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20160621cb4-1124-2-e.pdf</a>
		Minutes of the meeting	CB(4)1315/15-16 <a href="http://www.legco.gov.hk/yr15-16/english/panels/tp/minutes/tp20160621.pdf">http://www.legco.gov.hk/yr15-16/english/panels/tp/minutes/tp20160621.pdf</a>
22.6.2016	Council meeting	Hon Frederick FUNG raised a question on fuel prices and public transport fares	<a href="http://www.info.gov.hk/gia/general/201606/22/P201606220563.htm">http://www.info.gov.hk/gia/general/201606/22/P201606220563.htm</a>
13.7.2016	Council meeting	Dr Hon Priscilla LEUNG raised a question on premium taxis	<a href="http://www.info.gov.hk/gia/general/201607/13/P2016071200628.htm">http://www.info.gov.hk/gia/general/201607/13/P2016071200628.htm</a>

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