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Panel on Transport
Meeting on 17 March 2017

Background brief on
personalized and point-to-point transport services in Hong Kong

Purpose

This paper provides background information on personalized and point-to-point transport services in Hong Kong, the demand of which has been largely met by taxi service at present. It also summarizes the major views and concerns expressed by Legislative Council Members on the subject.

Background

Taxi service

2. Taxis provide a personalized, point-to-point and more comfortable public transport service at a higher fare. There are currently a total of 18 163 taxis, of which 15 250 are urban taxis, 2 838 are New Territories ("NT") taxis and 75 are Lantau taxis. While their fares and operating areas are different,¹ they are all regulated by the Transport Department ("TD"). According to TD's information, the average daily taxi patronage is about one million. The fare scales of the three types of taxis are at **Appendix I**.²

¹ Urban taxis may operate anywhere in Hong Kong except South Lantau. 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 interchanges. Lantau taxis may only provide service within Lantau (including Chep Lap Kok Island and South Lantau).

² Pursuant to the Road Traffic (Public Service Vehicles)(Amendment) Regulation 2017 (L.N. 20 of 2017) made under section 7(1C) of the Road Traffic Ordinance (Cap. 374), which was gazetted on 10 February 2017, the taxi fares for urban, NT and Lantau taxis will increase with effect from 9 April 2017.

3. Taxis may pick up passengers on the street or 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 licenses 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.

Proposal of introducing premium taxis

5. Noting the heated discussion in the community on the quality of taxi service, and in particular criticisms against problems of taxi service such as refusal of hire, overcharging and drivers' poor service attitude towards passengers, the Administration considers it necessary to improve taxi service in Hong Kong. TD has been encouraging the taxi trade to enhance ordinary taxi service within the present legal and regulatory framework. The Administration has also accorded priority to reviewing taxi service under the Role and Positioning Review of the Public Transport Strategy Study ("PTSS"). The key area of study was whether to introduce premium taxis.

6. According to the Administration, 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. It is thus basically a move to expand the customer base. 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. As premium taxis are a new type of service, the Administration proposes to introduce premium taxis on a trial basis. The Administration's preliminary proposals for introducing premium taxis are summarized at **Appendix II**.

Measures to enhance processing of applications for hire car permits

7. 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 personalized transport service. 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 legislation before operating the service.³

8. In response to the community's views on hire car services, the Administration 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. 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 Administration will closely monitor the development of other personalized transport services (including premium taxis) and consider other viable measures where necessary to allow hire car services to better meet the market demands.

Major views and concerns of members

9. The Panel on Transport ("the Panel") was briefed on the Administration's proposals for improving taxi service, including the introduction of premium taxis, as well as enhancing the processing of applications for HCPs at its meetings on 6 November 2015 and 21 June 2016, and the policy briefing on 20 January 2017. When considering the taxi fare increase applications at the Panel meeting on 16 December 2016, members also expressed views on taxi service. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Premium taxis

Impact of premium taxis on the businesses of ordinary taxis

10. Most members had reservation about the Administration's proposal to introduce premium taxis under a franchise model. They took the view that introduction of premium taxis could not address the poor service quality problem of ordinary taxis and would lead to unhealthy competition within the taxi trade. It would also adversely affect the income of taxi drivers, thus exacerbating the vicious cycle of low income of drivers and poor service quality of ordinary taxis. They urged the Administration to consult the trade thoroughly before deciding the way forward.

³ At present, there are three types of HCPs in force, namely private, hotel and tour services.

11. While some members were supportive of the proposal of introducing premium taxis as it would offer better service to passengers, they suggested that the taxi trade should first be allowed to provide premium taxi service instead of granting the operating right to a few companies under the franchise model. There was also a suggestion that instead of granting the operating right of all 600 premium taxis to a few companies through franchising, the Administration could consider allocating a certain number for operation by the taxi trade, so that they could also participate in providing premium taxi service. They considered that this could in a way encourage the trade to improve service quality as a whole.

Employer-employee relationship

12. Members queried the feasibility of imposing the requirement for the premium taxi operators to maintain an employer-employee relationship under the franchise model. They pointed out that in the past, taxi owners used to hire drivers for providing taxi service, yet, due to upsurge in wage level and the need to comply with the provisions of the Employment Ordinance (Cap. 57), taxi owners switched to rent out their taxis for a fee. They were also doubtful whether an employer-employee relationship would guarantee service quality.

Operating details of premium taxis

13. Members had expressed views regarding the operating details of premium taxis, including the need for maintaining a significant fare difference between premium taxis and ordinary taxis in order not to affect the latter's business, the operating area of premium taxis and related impact on traffic and congestion problem, as well as the operating right and fees under the franchise model.

14. In response, the Administration explained that the role and positioning of premium taxis would be different from that of ordinary taxis. The Administration had commissioned a financial consultant to conduct a financial study on the fare level and the details were yet to be finalized. That said, the Administration intended to maintain a fare differential between premium taxis and ordinary taxis for market differentiation. Meanwhile, the Administration was also studying whether any fees should be charged for granting of the franchises. As regards operating area of premium taxis, it was preliminarily proposed that premium taxis would operate in the whole territory.

Improving ordinary taxi service

15. Some members considered that the crux of the service quality problem of taxis was licence speculation. They called on the Administration to find ways to lower taxi licence value by issuing new taxi licences to curb speculation

and encourage competition. Some members further suggested that the Administration should buy back taxi licences in the market in order to address licence speculation problem.

16. When considering the taxi fare increase applications, members generally expressed dissatisfaction about the malpractice of taxi drivers and poor taxi service. Members noted that the installation of a close-circuit television ("CCTV") system in 10 taxis by the Association of Taxi Industry Development ("the Association") in September 2016 had received a positive response from the public at large and the Office of the Privacy Commissioner for Personal Data ("PCPD") had not received any complaints relating to the installation of such system in taxis. They asked if the Administration would consult PCPD on the full implementation of the installation of a CCTV system in taxi compartments while considering the fare increase applications, and to enact relevant legislation to ensure the quality of taxi service upon confirmation of no violation of any principles on privacy of personal data. A motion moved in this regard was carried.

17. While acknowledging that there was room for improvement in taxi service, the Administration stressed that TD had all along been keeping close communication with the taxi trade to help enhance the service quality of ordinary taxis. For example, more operators were providing pre-booked taxi service of higher quality in the form of hire-as-a-whole service in accordance with the law. The number of such taxis with larger compartments and better facilities has increased from about 20 in early 2015 to over 150 in January 2017.

18. On the suggestion of installing CCTV systems inside taxi compartments to enhance the quality of taxi service, the Administration advised that application to TD for installing camera systems inside taxi compartments was not required if it would not affect the vehicle structure and driving safety. The Administration noted that the installation of such camera systems would involve the problem of privacy protection, and had thus enquired PCPD with regard to the trial scheme proposed by the Association on whether the personal data privacy could not be fully protected. At the present stage, the Administration had no intention to introduce any compulsory arrangement in view of its wide implications and differing views of the public.

Hire car service

19. While agreeing with the Administration's approach to issue some HCPs to provide transport service of higher quality, members considered that there should be some requirements on the provision of hire car service with a view to avoiding direct competition with taxi service. There was a view that hire car service should be operated in vehicle fleet and a minimum charge should be set.

20. As regards the issuance of HCPs, some members considered the current vetting and approval criteria overly stringent. For example, they considered it unreasonable to require the applicant to demonstrate that the service applied for was required in a particular area, regardless of the actual situation that a hire car was supposed to provide point-to-point service anywhere in Hong Kong. They urged the Administration to make reference to overseas experience on issuing HCPs.

21. In response, the Administration indicated that TD would review how the vetting and approving criteria of applications for HCPs could be improved. While the Administration kept an open mind in reviewing the vetting requirements of applications for a HCP, they should take into account the situation of road use in Hong Kong when issuing HCPs.

22. In the course of discussion, a member also referred to the cases where some Uber drivers had been arrested and prosecuted, and criticized that the current legislation could not keep up with the development of the society and demand of the public. In response, the Administration advised that under the current legislative framework, provision of hire car service was allowed and the fare could be agreed between the parties providing and receiving the service. However, the relevant vehicle owner had to obtain a valid HCP to legally provide such service. The Administration stressed that carrying passengers with a private car for hire or reward without HCP was an offence.

Latest position

23. The Administration plans to report the outcome of the PTSS on how to enhance personalized and point-to-point transport services at the Panel meeting to be held on 17 March 2017.

Relevant papers

24. A list of relevant papers is at **Appendix III**.

Fare scale of taxi service

	Urban Taxi	New Territories Taxi	Lantau Taxi
(I) Flagfall charge for the first 2 km or any part thereof			
Existing fare	\$22	\$18.5	\$17
New fare ¹	\$24	\$20.5	\$19
(II) Incremental charge for each 200 m travelled (i.e. per jump) after flagfall²			
<i>First-tier distance</i>	2-9 km	2-8 km	2-20 km
Existing fare	\$1.6 per jump	\$1.4 per jump	\$1.4 per jump
New fare	\$1.7 per jump	\$1.5 per jump	\$1.5 per jump
<i>Second-tier distance</i>	After 9 km	After 8 km	After 20 km
Existing fare	\$1 per jump	\$1 per jump	\$1.2 per jump
New fare	\$1.2 per jump	\$1.2 per jump	\$1.4 per jump

Source: Legislative Council Brief on Taxi Fare Increase Applications Road Traffic (Public Service Vehicles) (Amendment) Regulation 2017 [File ref.: THB(T)L 3/3/5]

¹ New fares will take effect from 9 April 2017.

² This also applies to the charge for every one minute that the taxi is not in motion.

Highlights of the Administration's preliminary proposals for introducing premium taxis on a trial basis

The Administration's preliminary proposals for introducing premium taxis on a trial basis include:¹

- (a) around three franchises will be granted to maintain healthy competition;
- (b) the fleet of a franchise comprises about 150 to 200 vehicles, adding up to a total of about 450 to 600 premium taxis, which is about 3% of the 18 000-odd taxis in Hong Kong at present. In this regard, the Administration has taken into account the demand for this new type of service, the overall supply and demand of taxis in the territory, the operating environment of taxi trade and the impact on traffic management. The fleet size of each franchise should not be too small to maintain operation efficiency;
- (c) the franchise will be time-limited lasting for about four to six years. This period has taken into account the financial viability;
- (d) as it is anticipated that the operating cost of premium taxis is higher, its fare will be higher. The Administration has engaged a consultancy to conduct a telephone survey to canvass public views on the introduction of premium taxis. The survey findings indicate that over 3% of the respondents will definitely consider using premium taxis even if the fare of premium taxis will be 60% to 100% higher than that of ordinary taxis. However, the Administration has not yet decided on the fare of premium taxis; and
- (e) basic service standards and vehicle price requirements in respect of vehicle types will be set under the franchise to ensure that the role and positioning of premium taxis will be different from those of ordinary taxis. The aim is to address the needs of passengers whose demand for better service quality and having higher requirements on vehicle types. For instance, franchisees will be encouraged to provide wheelchair-accessible taxis. A requirement will be set on the minimum number of such vehicles to be provided.

¹ Details are set out in the Administration's paper on the Public Transport Strategy Study – Role and Positioning Review on premium taxis and increasing the seating capacity of public light buses [LC Paper No. CB(4)1124/15-16(01)].

**Background brief on
the personalized and point-to-point transport services**

List of relevant papers

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
5.12.2012	Council meeting	Dr Hon 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 the 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 Hon 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
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 Hon 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 Chi-ming raised a question on mobile applications for taxi-hailing	http://www.info.gov.hk/gia/general/201504/29/P201504290239.htm
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
		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

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
16.6.2015	TP	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
		Minutes of meeting	CB(4)165/15-16 http://www.legco.gov.hk/yr14-15/english/panels/tp/minutes/tp20150616.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 Secretariat	IN14/14-15 http://www.legco.gov.hk/research-publications/english/1415in14-taxi-fuel-surcharge-in-selected-places-20150713-e.pdf
		Minutes of meeting	CB(4)228/15-16 http://www.legco.gov.hk/yr14-15/english/panels/tp/minutes/tp20150717.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

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
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
		Administration's follow-up paper	CB(4)267/15-16(01) http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20151106cb4-267-1-e.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 Chi-ming raised a question on taxi services	http://www.info.gov.hk/gia/general/201601/20/P201601200639.htm

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
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) http://www.legco.gov.hk/yr15-16/english/panels/tp/papers/tp20160621cb4-1124-1-e.pdf
		Minutes of meeting	CB(4)1315/15-16 http://www.legco.gov.hk/yr15-16/english/panels/tp/minutes/tp20160621.pdf
13.7.2016	Council meeting	Dr Hon Priscilla LEUNG Mei-fun raised a question on premium taxis	http://www.info.gov.hk/gia/general/201607/13/P2016071200628.htm
16.12.2016	TP	Administration's paper on taxi fare increase applications	CB(4)285/16-17(05) http://www.legco.gov.hk/yr16-17/english/panels/tp/papers/tp20161216cb4-285-5-e.pdf
		Motion passed under the agenda item of "Taxi fare increase applications" at the meeting on 16 December 2016	CB(4)335/16-17(05) http://www.legco.gov.hk/yr16-17/chinese/panels/tp/papers/tp20161216cb4-335-5-ec.pdf
		Administration's response to the motion passed under the agenda item of "Taxi fare increase applications" at the meeting on 16 December 2016 as set out in LC Paper No. CB(4)335/16-17(05)	CB(4)640/16-17(01) http://www.legco.gov.hk/yr16-17/english/panels/tp/papers/tp20161216cb4-640-1-e.pdf

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
16.12.2016	TP	Administration's follow-up paper	CB(4)480/16-17(01) http://www.legco.gov.hk/yr16-17/english/panels/tp/papers/tp20161216cb4-480-1-e.pdf
		Minutes of meeting	CB(4)513/16-17 http://www.legco.gov.hk/yr16-17/english/panels/tp/minutes/tp20161216.pdf

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