

## **LEGISLATIVE COUNCIL BRIEF**

Road Traffic Ordinance  
(Chapter 374)

### **TAXI FARE INCREASE APPLICATIONS**

#### **ROAD TRAFFIC (PUBLIC SERVICE VEHICLES) (AMENDMENT) REGULATION 2017**

#### **INTRODUCTION**

A At the meeting of the Executive Council on 7 February 2017, the Council ADVISED and the Chief Executive ORDERED that the Road Traffic (Public Service Vehicles) (Amendment) Regulation 2017 (the Amendment Regulation), at Annex A, should be made under section 7(1C) of the Road Traffic Ordinance (Cap. 374) (the Ordinance) to give effect to –

- (a) an increase of \$2 in flagfall charge, \$0.1 in the incremental charge for the first-tier distance<sup>1</sup> and \$0.2 in the incremental charge for the second-tier distance<sup>2</sup> after flagfall for the hiring of urban, NT and Lantau taxis; and
- (b) an increase of \$1 in the additional fare for every article of baggage carried for urban, NT and Lantau taxis.

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<sup>1</sup> The incremental charge for the first-tier distance applies to each jump per 200 metres (m) or every one minute not in motion travelled for:

- (a) 2 kilometres (km) to 9 km for urban taxis (or until the chargeable amount reaches \$83.5);
- (b) 2 km to 8 km for NT taxis (or until the chargeable amount reaches \$65.5); and
- (c) 2 km to 20 km for Lantau taxis (or until the chargeable amount reaches \$154).

<sup>2</sup> The incremental charge for the second-tier distance applies to each jump per 200 m or every one minute not in motion travelled for:

- (a) after 9 km for urban taxis (or after the chargeable amount reaches \$83.5);
- (b) after 8 km for NT taxis (or after the chargeable amount reaches \$65.5); and
- (c) after 20 km for Lantau taxis (or after the chargeable amount reaches \$154).

2. The adjustment in flagfall charge and incremental charges after flagfall mentioned in paragraph (a) above would result in an average fare increase of 9.98% for urban taxis, 11.15% for NT taxis and 8.60% for Lantau taxis. Subject to the negative vetting by the Legislative Council (LegCo), the new fares will take effect from 9 April 2017.

## **JUSTIFICATIONS**

### **(A) Government's Consideration**

3. Taxis provide a personalised point-to-point public transport service. Taxi fare increase applications have all along been considered in accordance with the following major criteria –

- (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 passengers' feedback on service;
- (c) the need to maintain a reasonable differential between taxi fares and those of other public transport modes<sup>3</sup>;
- (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.

4. The scale of fares for the hiring of taxis is specified in Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D) (the Regulations). It may be amended by the Chief Executive in Council, subject to negative vetting by the LegCo.

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<sup>3</sup> Fare differential refers to the ratio of the fare level of taxis to that of other public transport modes. Based on the advice of the Transport Advisory Committee, it has been an established practice to maintain the fare differential between urban taxis and other public transport modes at five to seven times, and that between NT taxis and other public transport modes at three to four times. There is no fare differential set for Lantau taxis given the small number of taxis involved and that the intra-district transportation within Lantau relies on buses and taxis.

**(B) The Applications from the Taxi Trades**

5. The urban, NT and Lantau taxi trades submitted applications in April 2016 for increasing their respective flagfall and incremental charges, as well as shortening the waiting time<sup>4</sup>. Details of the applications and Government's recommendations are set out as follows –

	<b>Urban Taxi</b>	<b>NT Taxi</b>	<b>Lantau Taxi</b>
	<b>Flagfall charge for the first 2 km or any part thereof</b>		
<b>Existing fare</b>	\$22	\$18.5	\$17
<b>The trade's proposal</b>	\$24 (+\$2)	\$21 (+\$2.5)	\$21 (+\$4)
<b>Government's recommendation</b>	\$24 (+\$2)	\$20.5 (+\$2)	\$19 (+\$2)
	<b>Incremental charge for each 200 m travelled (i.e. per jump) after flagfall<sup>5</sup></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>Government's recommendation</b>	\$1.7 per jump (+\$0.1)	\$1.5 per jump (+\$0.1)	\$1.5 per jump (+\$0.1)
	<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)
<b>Government's recommendation</b>	\$1.2 per jump (+\$0.2)	\$1.2 per jump (+\$0.2)	\$1.4 per jump (+\$0.2)

<sup>4</sup> Currently, there is a charge for every one minute that the taxi is not in motion and the charge per minute is equivalent to the incremental charge for each 200 m travelled after flagfall.

<sup>5</sup> This also applies to the charge for every one minute that the taxi is not in motion.

	<b>Urban Taxi</b>	<b>NT Taxi</b>	<b>Lantau Taxi</b>
	<b>Waiting time</b>		
<b>Existing arrangement</b>	60 seconds		
<b>The trade's proposal</b>	45 seconds (-15 seconds)		
<b>Government's recommendation</b>	60 seconds (No change)		
<b>Average rate of proposed fare increase<sup>6</sup> under the trade's proposal<sup>7</sup></b>	15.97%	17.35%	18.18%
<b>Average rate of proposed fare increase under Government's recommendation<sup>8</sup></b>	9.98%	11.15%	8.60%

<sup>6</sup> The average rate of fare increase is worked out on the basis of the average meter revenue figures obtained from the taximeter reading surveys conducted by the Transport Department. Each rate is derived from summing up the changes due to the relevant fare increase in every trip length segment of the trip length distribution spectrum of a taxi of the type concerned, on the assumption that there is no change in the number of trips and in the trip distribution of the taxi after the fare increase. Even for the same amount of flagfall increase, the average rate of fare increase for the three types of taxis would be different because of the difference in their respective trip length distributions.

<sup>7</sup> For urban taxi, the average passenger trip length is about 6.2 km. The taxi fare charged under the existing level is \$55.6 while that after fare adjustment as per the trade's application for fare increase is \$61.8.  
For NT taxi, the average passenger trip length is about 4.8 km. The taxi fare charged under the existing level is \$38.1 while that after fare adjustment as per the trade's application for fare increase is \$43.4.  
For Lantau taxi, the average passenger trip length is about 8.0 km. The taxi fare charged under the existing level is \$59 while that after fare adjustment as per the trade's application for fare increase is \$69.

<sup>8</sup> For urban taxi, the average passenger trip length is about 6.2 km. The taxi fare charged under the existing level is \$55.6 while that after fare adjustment as per the Government's recommendation for fare increase is \$59.7.

In addition, the three taxi trades applied for a \$1 increase in the additional fare for every article of baggage carried, from \$5 to \$6. The Lantau taxi trade also applied for a \$1 increase in the additional fares for every animal or bird carried, and every hiring arranged through telephone booking, from \$5 to \$6 each. The Government recommends a \$1 increase in the additional fare for every article of baggage carried by urban, NT and Lantau taxis. The Government also recommends that the proposed increase in the additional fares by the Lantau taxi trade, with regard to animal or bird carried and hiring arranged through telephone booking, be rejected.

### **(C) Operation Status of the Taxi Trade**

#### **Background of the Trade**

6. At present, there are a total of 18 163 taxis, among which 15 250 are urban taxis, 2 838 are NT taxis and 75 are Lantau taxis. As at end November 2016, about 60% are owned by individuals while the remaining by companies. Taxi trade mainly consists of rentee-drivers, owner-drivers and rentor-owners<sup>9</sup>. Based on the number of taxi driver identity plates issued, it is estimated that there are currently about 40 000 taxi drivers.

#### **Operating Data**

7. The Transport Department (TD) conducts regular taximeter reading surveys, and collects information on income of taxi drivers through surveys. Furthermore, TD gathers data on taxi operating costs from taxi owners and trade associations through annual questionnaire surveys. TD also obtains the price of Liquefied Petroleum Gas (LPG) from the LPG suppliers.

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For NT taxi, the average passenger trip length is about 4.8 km. The taxi fare charged under the existing level is \$38.1 while that after fare adjustment as per the Government's recommendation for fare increase is \$41.5.

For Lantau taxi, the average passenger trip length is about 8.0 km. The taxi fare charged under the existing level is \$59 while that after fare adjustment as per the Government's recommendation for fare increase is \$64.

<sup>9</sup> 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.

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), 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 –

	Average monthly net income			Percentage change between 2016 (January to June) and 2014 (January to December) (i.e. (c) compared with (a))	
	2014 (January – December) (a)	2015 (January – December) (b)	2016 (January – June) (c)	Change in nominal terms	Change in real terms (after netting off inflation) <sup>10</sup>
<b>Rentee-driver</b>					
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%
<b>Owner-driver</b>					
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%
<b>Rentor-owner</b>					
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%

B The data for the respective operating costs and revenue of the three types of taxis are set out in Annex B.

<sup>10</sup> As compared with 2014 (January – December), the Composite Consumer Price Index (“CCPI”), which measures inflation in the consumer domain, rose by 5.3% in 2016 (January – June).

**(D) Analysis**

9. The great majority of taxi drivers (about 80%) are rentee-drivers. While the above data 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 moderate<sup>11</sup>, mainly because the fuel cost remained at a low level over the past two years<sup>12</sup>. However, fuel price has been volatile and there may be upside risks in the period ahead<sup>13</sup>. Inflation is also expected to persist though at a moderate rate. Such risk of rising costs may lead to a drop in the income of rentee-drivers in real terms. Besides, in view of the commissioning of new railway lines, 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 C). The new fares, even if eventually approved, can only take effect in around mid-2017 the earliest, as the proposal will have to go through legislative procedures. This will be about three and a half years since the last fare increase by end 2013.

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. As such, comparatively speaking, it is difficult for the taxi trade to attract new blood. Furthermore, 80% of the taxi drivers are aged 50 years or above, and the average age is 58 years old. Meanwhile, taxi service

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<sup>11</sup> 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).

<sup>12</sup> The average LPG ceiling prices at dedicated LPG filling stations are \$4.78 per litre in 2014 and \$3.05 per litre in 2015.

<sup>13</sup> The spot price of Brent Crude oil has increased from US\$44.8 per barrel in mid-September 2016 to US\$51.6 per barrel in mid-October 2016 but dropped to US\$43.7 per barrel in mid-November 2016. As at 30 December 2016, the spot price was US\$55.4 per barrel. As well, the one-year forward price has increased from US\$49.2 per barrel in early September 2016 to US\$58.6 per barrel in late December 2016.

quality is of increasing public concern<sup>14</sup>. The trade hopes that through increasing drivers' income, new blood will be injected into the trade, and the trade will be encouraged to improve their service and invest more in new facilities, so as to enhance the overall taxi service quality.

11. Having regard to the above, we consider that there is a case for urban, NT and Lantau taxi trades to propose fare increase.

12. We have analysed the impact of the fare increase proposed by the taxi trade on the financial position of the taxi operators. The proposals put up by the urban, NT and Lantau taxis would amount to an average rate of increase of 15.97%, 17.35% and 18.18% respectively. It is considered that the proposed increases are all on the high side and are difficult to be accepted by the public, having regard to the fact that the forecast inflation rate between the first quarter of 2014 (when the last fare increase took effect) and the second quarter of 2017 (when the new fare increase is expected to take effect) is only 9%<sup>15</sup>, and the Median Monthly Household Income (MMHI) has just increased by 13% from the first quarter of 2014 to the third quarter of 2016.

13. In this light, the Government recommends and the Executive Council approves –

- (a) an increase of \$2 in flagfall charge;
- (b) an increase of \$0.1 in incremental charge per jump for the first-tier distance; and
- (c) an increase of \$0.2 per jump for the second-tier distance.

The above recommendations represent an average increase rate of 9.98% for urban taxis, 11.15% for NT taxis and 8.60% for Lantau taxis. While the increase per jump for the first-tier distance is proposed to be \$0.1 and that for the second-tier distance is proposed to be \$0.2 under our

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<sup>14</sup> According to the information of the Transport Complaint Unit of the Transport Advisory Committee, the number of complaints on taxi service slightly increased over the past two years: there 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 over the past two years. Specifically, there were 7 710 cases (2016), 7 691 cases (2015) and 7 562 cases (2014).

<sup>15</sup> There is no official forecast on CCPI for a specific quarter. We have attempted to derive CCPI for the second quarter of 2017 by making reference to the actual situation in the first three quarters of 2016 and the average forecast annual rate of change for 2017-2020 as announced in the 2016-17 Budget.



recommendations, we can still maintain the front-end loaded fare structure and descending scale for incremental charges, because each jump of the first-tier distance will be at a higher level (e.g. \$1.7 per 200 m after the proposed fare increase for urban taxis) than that of the second-tier distance (e.g. \$1.2 per 200 m after the proposed fare increase for urban taxis).

14. The Government also recommends approving the trade's application for increasing the additional fare for every article of baggage carried from \$5 to \$6. This proposal would bring additional income to the drivers but the impact on passengers would not be significant.

15. However, we do not recommend that the trade's proposal to shorten the waiting time from 60 seconds to 45 seconds<sup>16</sup> be accepted. Under our recommendation, there will be increase in the incremental charges. The waiting time charge will correspondingly increase by the same level. This is already a compensation for taxi drivers for waiting in congested areas. There is no need for, in effect, a double increase.

16. In addition, we do not recommend accepting the Lantau taxi trade's proposal to increase the additional fare for every animal or bird carried and every hiring arranged through telephone booking by \$1 from \$5 to \$6. The proposal deviates from the existing arrangement for the urban and NT taxis. There is no reason why Lantau taxis should be treated differently.

### **Fare Differentials**

17. We have also looked at the fare differential factor. It is the Government's policy to maintain a reasonable fare differential between taxis and other modes of public transport in order to avoid excessive demand for taxi services and to ensure smooth traffic flow. The existing fare differential between urban taxis and other public transport modes is 5.60, that between NT taxis and other public transport modes is 3.45, and that between Lantau taxis and other public transport modes is 4.61. The differentials under the trade's proposal and the Government's recommendation are set out as follows –

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<sup>16</sup> The trade made such a request on the basis of compensating drivers for taking passengers to congested areas and avoiding drivers from refusing to take passengers to congested areas.

	<b>Fare differentials between taxis and other modes of public transport</b>		
	<b>Urban</b>	<b>NT</b>	<b>Lantau</b>
Existing	5.60	3.45	4.61
Under the trade's proposal	6.66	4.01	5.24
Under Government's recommendation	6.31	3.80	4.81

18. The change of the fare differentials brought by the fare increase is considered reasonable.

## **OTHER ISSUES**

19. All along, taxi rental is 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 monitor the changes in business and revenue of drivers before discussing with the driver groups any subsequent rental adjustment. As regards the present fare increase applications, we understand that some major taxi owners have indicated that after the fare increase they would keep in view the income situation of the drivers for three to six months before considering whether to adjust the rental.

20. The Government notes that the public is concerned about the quality of taxi service. The trade also accepts that the service should be improved. In this regard, 17 taxi associations formed the Hong Kong Taxi Council (the Council) in November 2015 with the objective of improving their service quality through self-regulation by the trade. The Council has introduced or considered various measures, such as introducing retraining programme with the Employees Retraining Board for taxi drivers in order to enhance their service standard. The programme is expected to be introduced in the first quarter of this year. The Council launched a mobile application for hailing taxi service in May 2016. 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. This mobile application has admittedly not been popular hitherto, and the Council is considering updating the application

according to 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 rate or scale of charges applicable to the hiring will be agreed between the parties providing and receiving the service before the hiring.<sup>17</sup> 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. The Government will continue to maintain close dialogue with the trade with a view to enhancing the service standard. As for the proposal to introduce premium taxis, we will report to the Panel on Transport (the Panel) of the LegCo on our recommendations in the first quarter of 2017 in the context of how to enhance personalised point-to-point transport services.

## **THE AMENDMENT REGULATION**

A 21. The Amendment Regulation amends the fare scales of the urban, NT and Lantau taxis stipulated in items 1, 2, 2a, 3, and 4(i) of Schedule 5 to the Regulations (see Annex A) to put into effect the fare increases set out in paragraphs 1 above.

## **LEGISLATIVE TIMETABLE**

22. The legislative timetable will be as follows—

Publication in the Gazette	10 February 2017
Tabling at the LegCo for negative vetting	15 February 2017
Commencement date	9 April 2017

## **IMPLICATIONS OF THE PROPOSAL**

D 23. The sustainability, economic and family implications of the proposal are set out at Annex D. It has no civil service, financial,

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<sup>17</sup> The statutory requirements for hire-as-a-whole are set out in regulation 38 of Cap. 374D.

productivity, environmental or gender implications. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The Amendment Regulation will not affect the current binding effect of the Ordinance.

## **PUBLIC CONSULTATION**

24. The Transport Panel of LegCo was consulted on the trades' applications on 16 December 2016. The Panel in general supports the fare increases in view of the operating environment of the trade (including rising operating costs, ageing problem of drivers and drivers' comparatively lower income when compared with other drivers working in the public transport sector). One Panel member opposed the increases and moved a motion to this effect but was voted down by other members. Moreover, Panel members were all concerned about the taxi service quality and urged the trade to further enhance their service standard. Separately, the Transport Advisory Committee (TAC) was consulted on 20 December 2016. TAC supported the Government's recommendation, noting that the recommended fare increases would help give incentive to the trade to improve services, including quickening replacement of old vehicles with new ones, as well as attracting new blood to enter the trade. The detailed advice of TAC is set out in its letter, at Annex E, to the Secretary of Transport and Housing.

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## **PUBLICITY**

25. A press release will be issued on 7 February 2017. A spokesman will be available to handle public enquiries.

## **ENQUIRIES**

26. Any enquiries on this brief can be addressed to the following officer –

Ms Stella Lee  
Assistant Commissioner for Transport  
Telephone No.: 2829 5208

**Transport and Housing Bureau**  
**7 February 2017**

## Road Traffic (Public Service Vehicles) (Amendment) Regulation 2017

Section 1

1

## Road Traffic (Public Service Vehicles) (Amendment) Regulation 2017

(Made by the Chief Executive in Council under section 7(1C) of the Road Traffic Ordinance (Cap. 374))

1. **Commencement**  
This Regulation comes into operation on 9 April 2017.
2. **Road Traffic (Public Service Vehicles) Regulations amended**  
The Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D) are amended as set out in section 3.
3. **Schedule 5 amended (taxi fares)**
  - (1) Schedule 5, item 1(A)—  
**Repeal**  
“\$22.00”  
**Substitute**  
“\$24.00”.
  - (2) Schedule 5, item 1(B)—  
**Repeal**  
“\$1.60”  
**Substitute**  
“\$1.70”.
  - (3) Schedule 5, item 1(B)—  
**Repeal**  
“\$78.00”  
**Substitute**

## Road Traffic (Public Service Vehicles) (Amendment) Regulation 2017

Section 3

2

- “\$83.50”.
- (4) Schedule 5, item 1(C)—  
**Repeal**  
“\$1.00”  
**Substitute**  
“\$1.20”.
  - (5) Schedule 5, item 1(C)—  
**Repeal**  
“\$78.00”  
**Substitute**  
“\$83.50”.
  - (6) Schedule 5, item 2(A)—  
**Repeal**  
“\$17.00”  
**Substitute**  
“\$19.00”.
  - (7) Schedule 5, item 2(B)—  
**Repeal**  
“\$1.40”  
**Substitute**  
“\$1.50”.
  - (8) Schedule 5, item 2(B)—  
**Repeal**  
“\$143.00”  
**Substitute**  
“\$154.00”.

- (9) Schedule 5, item 2(C)—

**Repeal**

“\$1.20”

**Substitute**

“\$1.40”.

- (10) Schedule 5, item 2(C)—

**Repeal**

“\$143.00”

**Substitute**

“\$154.00”.

- (11) Schedule 5, item 2a(A)—

**Repeal**

“\$18.50”

**Substitute**

“\$20.50”.

- (12) Schedule 5, item 2a(B)—

**Repeal**

“\$1.40”

**Substitute**

“\$1.50”.

- (13) Schedule 5, item 2a(B)—

**Repeal**

“\$60.50”

**Substitute**

“\$65.50”.

- (14) Schedule 5, item 2a(C)—

**Repeal**

“\$1.00”

**Substitute**

“\$1.20”.

- (15) Schedule 5, item 2a(C)—

**Repeal**

“\$60.50”

**Substitute**

“\$65.50”.

- (16) Schedule 5, item 3(i)(A)—

**Repeal**

“\$1.60”

**Substitute**

“\$1.70”.

- (17) Schedule 5, item 3(i)(A)—

**Repeal**

“\$78.00”

**Substitute**

“\$83.50”.

- (18) Schedule 5, item 3(i)(B)—

**Repeal**

“\$1.00”

**Substitute**

“\$1.20”.

- (19) Schedule 5, item 3(i)(B)—

**Repeal**

- “\$78.00”  
**Substitute**  
 “\$83.50”.  
 (20) Schedule 5, item 3(ii)(A)—  
**Repeal**  
 “\$1.40”  
**Substitute**  
 “\$1.50”.  
 (21) Schedule 5, item 3(ii)(A)—  
**Repeal**  
 “\$143.00”  
**Substitute**  
 “\$154.00”.  
 (22) Schedule 5, item 3(ii)(B)—  
**Repeal**  
 “\$1.20”  
**Substitute**  
 “\$1.40”.  
 (23) Schedule 5, item 3(ii)(B)—  
**Repeal**  
 “\$143.00”  
**Substitute**  
 “\$154.00”.  
 (24) Schedule 5, item 3(iii)(A)—  
**Repeal**  
 “\$1.40”

- Substitute**  
 “\$1.50”.  
 (25) Schedule 5, item 3(iii)(A)—  
**Repeal**  
 “\$60.50”  
**Substitute**  
 “\$65.50”.  
 (26) Schedule 5, item 3(iii)(B)—  
**Repeal**  
 “\$1.00”  
**Substitute**  
 “\$1.20”.  
 (27) Schedule 5, item 3(iii)(B)—  
**Repeal**  
 “\$60.50”  
**Substitute**  
 “\$65.50”.  
 (28) Schedule 5, item 4(i)(a)—  
**Repeal**  
 “\$5.00”  
**Substitute**  
 “\$6.00”.  
 (29) Schedule 5, item 4(i)(b)—  
**Repeal**  
 “\$5.00”  
**Substitute**

“\$6.00”.

(30) Schedule 5, item 4(i)(c)—

**Repeal**

“\$5.00”

**Substitute**

“\$6.00”.

Clerk to the Executive Council

COUNCIL CHAMBER

2017

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**Explanatory Note**

This Regulation amends the Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D) (*principal Regulations*) to adjust certain fares specified in Schedule 5 to the principal Regulations. Under the adjustment—

- (a) for taxis licensed to operate in Hong Kong and Kowloon—
  - (i) the fare for the first 2 kilometres is increased from \$22.00 to \$24.00; and
  - (ii) the fare for every further 200 metres and the fare for waiting time for every 1 minute are each increased from \$1.60 to \$1.70 until reaching \$83.50 (the current corresponding amount of which is \$78.00), and from \$1.00 to \$1.20 after reaching \$83.50;
- (b) for taxis licensed to operate within Lantau—
  - (i) the fare for the first 2 kilometres is increased from \$17.00 to \$19.00; and
  - (ii) the fare for every further 200 metres and the fare for waiting time for every 1 minute are each increased from \$1.40 to \$1.50 until reaching \$154.00 (the current corresponding amount of which is \$143.00), and from \$1.20 to \$1.40 after reaching \$154.00;
- (c) for taxis licensed to operate in the New Territories—
  - (i) the fare for the first 2 kilometres is increased from \$18.50 to \$20.50; and
  - (ii) the fare for every further 200 metres and the fare for waiting time for every 1 minute are each increased from \$1.40 to \$1.50 until reaching



\$65.50 (the current corresponding amount of which is \$60.50), and from \$1.00 to \$1.20 after reaching \$65.50; and

- (d) the additional fare for every article of baggage carried on all taxis is increased from \$5.00 to \$6.00.

**The average monthly operating revenue, costs and net income of taxi operators in the period of 2014 to 2016 (January to June)**

**Operating data of urban taxis**

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

<sup>1</sup> 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 fare increase).

<sup>2</sup> As compared to 2014 (January – December), the Composite Consumer Price Index, measuring inflation in the consumer domain, rose by 5.3% in 2016 (January – June).

<sup>3</sup> 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-drivers	Owner-drivers	Rentor-owners
<b>(a) Average monthly operating revenue</b>			
Jan – Dec 2014	\$25,674	\$32,824	\$14,300
Jan – Dec 2015	\$26,161	\$33,805	\$15,288
Jan – Jun 2016	\$26,215	\$33,885	\$15,340
<i>Change over 2014 (Jan-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>(b) Average monthly operating costs</b>			
Jan – Dec 2014	\$11,817	\$10,935	\$6,571
Jan – Dec 2015	\$10,829	\$10,172	\$7,319
Jan – Jun 2016	\$10,634	\$10,095	\$7,469
<i>Change over 2014 (Jan-Dec)</i>	-10.0%	-7.7%	+13.7%
<i>(Change in real terms after netting off inflation)</i>	(-14.5%)	(-12.3%)	(+8.0%)
<b>(c) Average monthly net income</b>			
Jan – Dec 2014	\$13,857	\$21,889	\$7,729
Jan – Dec 2015	\$15,332	\$23,633	\$7,969
Jan – Jun 2016	\$15,581	\$23,790	\$7,871
<i>Change over 2014 (Jan-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-drivers	Owner-drivers	Rentor-owners
<b>(a) Average monthly operating revenue</b>			
Jan – Dec 2014	\$31,403	\$40,741	\$18,676
Jan – Dec 2015	\$32,811	\$42,311	\$19,000
Jan – Jun 2016	\$31,739	\$41,239	\$19,000
<i>Change over 2014 (Jan-Dec)</i>	+1.1%	+1.2%	+1.7%
<i>(Change in real terms after netting off inflation)</i>	(-4.0%)	(-3.8%)	(-3.3%)
<b>(b) Average monthly operating costs</b>			
Jan – Dec 2014	\$15,276	\$14,380	\$8,351
Jan – Dec 2015	\$13,813	\$13,213	\$8,964
Jan – Jun 2016	\$13,263	\$13,078	\$9,379
<i>Change over 2014 (Jan-Dec)</i>	-13.2%	-9.1%	+12.3%
<i>(Change in real terms after netting off inflation)</i>	(-17.5%)	(-13.6%)	(+6.7%)
<b>(c) Average monthly net income</b>			
Jan – Dec 2014	\$16,127	\$26,361	\$10,325
Jan – Dec 2015	\$18,998	\$29,098	\$10,036
Jan – Jun 2016	\$18,476	\$28,161	\$9,621
<i>Change over 2014 (Jan-Dec)</i>	+14.6%	+6.8%	-6.8%
<i>(Change in real terms after netting off inflation)</i>	(+8.8%)	(+1.5%)	(-11.5%)

## Taxi Fare Comparison

	<b>Hong Kong<sup>1</sup> (current fare)</b>	<b>Tokyo</b>	<b>London</b>	<b>New York</b>	<b>Sydney</b>
Flagfall charge	HK\$22 for the first 2 km	About HK\$28.2 for the first 1.052 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\$5.5 per jump for every 237 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

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<sup>1</sup> Fares of urban taxis

## **Sustainability, Economic and Family Implications**

### **Sustainability Implications**

The proposal helps relieve the mounting pressure brought by increasing operating costs being faced by taxi operators and improve the financial position of particularly the frontline drivers. Nevertheless, the proposed fare increases would bring extra cost to taxi passengers, in particular to those middle-income groups who use taxi services more frequently.

### **Economic Implications**

2. With taxi fares accounting for a weighting of 0.4% in CCPI, the proposed increases in flagfall charge for the urban, NT and Lantau taxis with effect from 9 April 2017 is expected have a negligible impact on CCPI inflation in 2017, and is estimated to lift the CCPI by 0.03 of a percentage point in 2017. The consumer price inflation impact, however, tends to vary among the three Consumer Price Index (“CPI”) sub-indices<sup>1</sup>, ranging from 0.02 of a percentage point for CPI(A) to 0.04 for CPI(C) in 2017, depending on the expenditure brackets to which the affected households belong. The proposed increase in the fares for every article of baggage carried by \$1 each for the three taxis should not result in any material additional impact on inflation.

### **Family Implications**

3. Since the proposal may bring additional income to some frontline drivers, this may have positive implications to the financial abilities of their families. While it may bring extra cost to taxi passengers, in particular those middle-income families who may use taxi services more frequently, the impact should be mild.

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<sup>1</sup> The CPI(A), CPI(B) and CPI(C) are compiled based on the expenditure patterns of households in the relatively low, medium and high expenditure ranges. The average monthly household expenditure covered by the three 2014-15-based sub-indices, i.e. CPI(A), CPI(B) and CPI(C), ranges from \$5,500 - \$24,499, \$24,500 - \$44,499, and \$44,500 - \$89,999 respectively.

4 January 2017

Professor the Honourable Anthony Cheung, GBS, JP  
Secretary for Transport and Housing  
22/F, East Wing, Central Government Offices  
2 Tim Mei Avenue  
Tamar  
Hong Kong

Dear Professor Cheung,

### Taxi Fare Increase Applications

The urban, New Territories (“NT”) and Lantau taxi trade submitted fare increase applications to the Government in April 2016. Specifically, they applied to increase the flagfall charge by \$2, \$2.5 and \$4 respectively, as well as to increase the incremental charges for both the first-tier distance and the second-tier distance after flagfall by \$0.2 respectively. The trade also applied to shorten the waiting time from 60 seconds to 45 seconds per jump. The average proposed fare increase rates come to 15.97% for urban taxis, 17.35% for NT taxis, and 18.18% for Lantau taxis<sup>1</sup>. As well, the three taxi trade applied for a \$1 increase in the additional fare for every article of baggage carried. The Lantau taxi trade also applied for a \$1 increase in the additional fares for every animal or bird carried, and every hiring arranged through telephone booking. The applications were considered by the Transport Advisory Committee (“TAC”) at its meeting held on 20 December 2016. This letter sets out TAC’s advice on them.

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<sup>1</sup> For urban taxi, the average passenger trip length is about 6.2 km. The taxi fare charged under the existing level is \$55.6 while that after fare adjustment as per the trade’s application for fare increase is \$61.8.

For NT taxi, the average passenger trip length is about 4.8 km. The taxi fare charged under the existing level is \$38.1 while that after fare adjustment as per the trade’s application for fare increase is \$43.4.

For Lantau taxi, the average passenger trip length is about 8.0 km. The taxi fare charged under the existing level is \$59 while that after fare adjustment as per the trade’s application for fare increase is \$69.

*Basis of TAC's consideration*

2. When considering the taxi fare increase applications, TAC acknowledged that taxis provided a personalised point-to-point public transport service, and took into account all relevant matters including the following major criteria –

- (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 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.

*Financial position of the taxi operators since the last fare increase*

3. The urban, NT and Lantau taxi fares were last increased in December 2013, by an average rate of 7.11%, 9.04% and 8.83% respectively. TAC Members noted that there was a slight increase in real terms in the average monthly net income of rentee-drivers of the three taxis in January – June 2016 as compared with January – December 2014, 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%. There was a moderate increase in the monthly net income of rentee-drivers and owner-drivers mainly because the fuel cost remained at a low level in the past two years.



4. TAC Members noted that the upside risk of fuel price, persistent inflation and the commissioning of new railway lines might lead to a drop in the real income of drivers. Besides, the new fares, even if supported and approved by the Executive Council, and endorsed by the Legislative Council through negative vetting, can only take effect in around mid-2017 the earliest. This will have been about three and a half years since the last fare increase in end 2013. TAC Members also noted the trade's wish to increase drivers' income so as to attract new blood to join the trade and encourage the trade to improve service quality. In view of the above, TAC Members accepted that on balancing the various factors, there was a reasonable case to increase the fares for urban, NT and Lantau taxis.

*Estimated impact of the proposed fare increases on the financial position of the taxi operators*

5. The proposed increases by the urban, NT and Lantau taxi trade are 15.97%, 17.35% and 18.18% respectively. This would result in the average monthly net income in real terms of rentee-drivers increasing by 16% to 31%. The forecast inflation rate between the first quarter of 2014 (when the last fare increase took effect) and the second quarter of 2017 (when the new fare increase is expected to take effect) is only 9%, and the Median of Monthly Household Income has just increased by 13% from the first quarter of 2014 till the third quarter of 2016. TAC Members considered that the proposed increase by the trade would be on the high side. As regards the proposal to reduce the waiting time from 60 seconds to 45 seconds, TAC Members noted that there would already be compensation for taxi drivers for waiting in congested areas if there would be increase in the incremental charges, and there was no need for, in effect, a double increase. Against the above, TAC Members took the view that the fare increase for the three taxis should be moderated.

6. As for the \$1 increase in additional fare for every article of baggage carried proposed by the three taxis, TAC Members noted that the proposal would bring additional income to the drivers, but the impact on passengers would not be significant. Regarding the \$1 increase in additional fares for every animal or bird carried and every hiring arranged through telephone booking as proposed by the Lantau taxi trade, TAC noted

that the proposal would deviate from existing arrangement for the urban and NT taxis. There is no reason why Lantau taxis should be treated differently.

*TAC's recommendations*

7. Noting the role of taxis as one providing an optional and personalised premium public transport service for the community and the operating situation of the taxi trade since the last fare increase, and having considered the relevant factors (including public acceptability) as mentioned in paragraph 2 above, TAC Members supported the Government's recommendation to increase the flagfall charge by \$2, the incremental charge for the first-tier distance by \$0.1 and the incremental charge for the second-tier distance after flagfall by \$0.2 for urban, NT and Lantau taxi fares alike. The average rate of the recommended fare increases would be 9.98% for urban taxis, 11.15% for NT taxis and 8.60% for Lantau taxis respectively<sup>2</sup>. With these, TAC Members noted that the respective changes in the fare differential between taxis and other public transport modes brought by the fare increases would be reasonable. Members also supported the proposed additional fare for every article of baggage carried for the three taxis.

8. In the course of discussing the fare increase applications, TAC Members also exchanged views on the issue of improving the quality of taxi service. TAC Members noted the efforts made and various measures introduced by the trade to enhance their service quality and expected that adjustment of fares should provide incentive to the trade to further their efforts in improving services including quickening replacement of old vehicles with new ones. Members also noted that fare adjustment should also help attract new blood to enter the trade. As for the proposal to introduce premium taxis, Members noted that the Government would report to the Transport Panel of the Legislative Council on its recommendations in

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<sup>2</sup> For urban taxi, the average passenger trip length is about 6.2 km. The taxi fare charged under the existing level is \$55.6 while that after fare adjustment as per the Government's recommendation for fare increase is \$59.7.

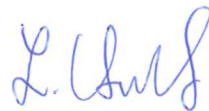
For NT taxi, the average passenger trip length is about 4.8 km. The taxi fare charged under the existing level is \$38.1 while that after fare adjustment as per the Government's recommendation for fare increase is \$41.5.

For Lantau taxi, the average passenger trip length is about 8.0 km. The taxi fare charged under the existing level is \$59 while that after fare adjustment as per the Government's recommendation for fare increase is \$64.

the first quarter of 2017 in the context of how to enhance the personalised point-to-point transport services. In this connection, TAC Members suggested that, as long term improvement to the quality of taxi service, the Government look into new service models, covering, for example, imposition of age limit on taxi vehicles. More flexible fares could also be explored, covering, for example, imposition of peak hour surcharge.

9. I should be grateful if you would convey TAC's advice to the Chief Executive in Council for consideration. I confirm that TAC's advice as contained in this letter may be released for public information after the Chief Executive in Council's decision is announced.

Yours sincerely,



( Larry Kwok )  
Chairman

Transport Advisory Committee