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Panel on Transport  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Ms Sophie LAU)

5 September 2018

Dear Ms LAU,

**Panel on Transport  
Submission from Hon Charles Peter MOK on  
Agenda Item of Enhancing Taxi Service Quality**

Thank you for your letter of 24 July 2018. Having consulted the Policy Innovation and Co-ordination Office (PICO), we would like to give a reply to the issues raised by Hon MOK as follows.

The Government notes the demand in the community for personalised and point-to-point public transport services of higher quality in recent years. In this connection, the Public Transport Strategy Study announced by the Government in June 2017 has reviewed the ways to enhance the quality of personalised point-to-point transport services and has recommended various measures. On the one hand, there are measures to enhance the service quality of the existing some 18 000 taxis and improve the operating environment. On the other hand, it is proposed that franchised taxis be introduced to meet the new demand in the community for personalised and point-to-point public transport services.

Regarding the enhancement of taxi service quality, as we mentioned in the discussion paper submitted to the Legislative Council (LegCo), the Transport Department (TD) established the Committee on Taxi Service Quality (CTSQ) in January 2018. This Committee serves as a multi-party platform to discuss strategies and measures to drive changes to enhance the service quality of taxis. The CTSQ has gradually taken forward a series of recommended measures, including updating the set of service standards and guidelines for taxis, enhancing the training courses on in-service taxi drivers' service quality, reviewing the existing sanctions for various taxi malpractices, etc.

Under the existing taxi licensing regime, the Government will issue new taxi licences as and when necessary in accordance with the established policy. Factors to be considered include the public demand for taxi service, the operating situation of the taxi trade, and the likely impact of the increase in the number of taxis on traffic conditions. The Government is pleased to receive any specific proposals from Members on revitalising the taxi licensing regime. Nevertheless, it also has to consider carefully the impact of those proposals on the trade.

As regards taxi fares, under the existing legislation, taxis shall either charge according to the taximeter or be hired as a whole. For fares charged by taximeters, the scale of fares for the hiring of taxis specified in Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations should be adopted. Currently, there is no so-called "flexible model" for the scale of fares for the hiring of taxis (e.g. there are no peak and non-peak fare scales). Introducing the "flexible" arrangement will change the long-established fare charging model and pose certain impact on passengers. Therefore, we have to give careful consideration to this issue, in particular the acceptability of the public. The fare for hire-as-a-whole service is to be agreed between the parties providing and receiving the service, which can provide flexibility to meet the different needs of passengers.

Moreover, it is suggested in Hon MOK's letter that the Government should revamp the hire car regulatory regime and conduct an independent research as well as public consultations to formulate a regulatory regime for online car hailing service. According to the current hierarchy of transport modes, hire car is positioned as a premium transport mode for providing high-end personalised service. Hire car does not belong to public transport service nor is its fares subject to regulation. A private car owner must obtain a hire car permit ("Permit") issued by the Commissioner for Transport (C for T) under the Road Traffic Ordinance (Cap. 374) and the Road Traffic (Public Services Vehicles) Regulations (Cap. 374D) before he/she can operate hire care service for the carriage of passengers for hire or reward.

Under the law, C for T may issue a permit if he/she is satisfied that –

- (a) the type of hire car service in the application is **reasonably required**;
- (b) the vehicle licence of the private car concerned is valid; and
- (c) there is in force valid insurance policy in respect of third party risks.

The hire car service in the application must also meet the requirements for that particular type of permit as stipulated in regulation 15 of Cap. 374D. The category and number of different types of permits which can be issued by C for T under the law are tabulated at the Annex.

We must stress that the policy on hire cars and the relevant legislation reflect the historical context. The existing legislation in respect of hire cars was implemented in 1981 with the primary objective of legalising the "pak pais" (i.e. illegal hire car service) at the time. It was not the policy intention

to allow for unlimited issuance of such permits to persons operating “pak pais”, so as not to encourage quasi-taxi operation or even affect the operation of other public transport services and aggravate road congestion. Hence, there is a statutory limit of the number of each type of permits which can be issued by C for T as set out at the Annex. These are also the considerations of C for T when exercising discretionary power to issue permits.

To enhance the existing hire car regulatory regime, facilitate new market entrants and build in more flexibility in the hire car regulatory regime, the TD has implemented the following enhancement measures from 1 February 2017 –

- (a) give special consideration on individual merits (such as justifications and supporting information about the proposed business model/case) for applicants for Private Service (Limousine) Permits who are unable to produce the required hiring records or future service contracts. As at the end of July 2018, the TD processed 47 applications of this type, 23 of which were approved;
- (b) make available an optional “pre-application assessment” (PAA) to give potential applications an opportunity to test the chance of obtaining a permit before purchasing a private car. As at the end of July 2018, the TD received 33 requests for PAA. Applicants whose applications will likely be approved if submitted have been advised accordingly; and
- (c) introduce vehicle age requirement for applications for Private Service (Limousine) Permits (i.e. the vehicle should be less than seven years of age from the date of first registration as a “brand new vehicle” in Hong Kong at the time of application).

Hon MOK’s letter also mentions about the report published by the Consumer Council on the competition in the personalised and point-to-point transport service market. In its report, the Consumer Council recommends the Government to actively consider introducing regulated online hailing service based on the existing hire car regime, if the franchised taxis fail to deliver the expected results after their introduction. On the premise that any carriage of passengers for reward must be lawful, we agree that the new demand in the community in recent years for personalised and point-to-point public transport services of higher quality and fare as well as with online hailing features should be well addressed. In the light of the outcome of the consultation with the LegCo Panel on Transport and the general support from the community, the Government will introduce franchised taxis to meet the new demand.

Franchised taxis will be a type of public transport service operated through a franchise model. Areas such as the number, service, fares as well as drivers’ quality of franchised taxis will be regulated by the Government. If an operator fails to meet a certain service level or standard, the Government may impose penalties through franchise terms or even revoke the franchise. The cap on the number (currently proposed to be 600) of franchised taxis will be

stipulated in the law. Franchised taxis will be operated under fleet management. This will help address the current difficulty in managing centrally the service quality of ordinary taxis due to scattered ownership.

Franchised taxis and the online hailing service proposed by the Consumer Council have many features in common. For instance, franchised taxis will provide "online hailing" service; the franchise will be time-limited; there will be a limit on the vehicle age and all franchised taxis should be equipped with global positioning system devices to record operating data for Government's inspection; the operators should provide training to drivers and set up a platform for receiving complaints and comments, etc. As compared with the Consumer Council's proposal, franchised taxis will provide higher transparency on fares. The Government is actively preparing a Bill for introducing franchised taxis and plans to introduce it into the LegCo in the 2018-19 legislative session.

Furthermore, the PICO has been meeting with the relevant government departments and stakeholders since its inception to discuss the development of the new economic activities, such as shared economy and innovation and technology, so as to learn more about the current legislation and solicit views. In addition, the PICO is currently studying the regulatory regimes adopted by different cities for some particular new economic activities and making reference to the impact of the systems. Topics under study include the personalised and point-to-point public transport services with "online hailing" features. The study outcome will be provided to the relevant bureaux for reference.

We thank Hon MOK for his valuable opinions on the personalised and point-to-point transport services.

Yours sincerely,



(Miss Alison TSE)

for Secretary for Transport and Housing

**Annex**

**Category and number of Permits which could be issued**  
**by C for T under the law**

Types of Permit	Statutory limit	Number of Permits in force (as at 31.7.2018)
Private hire car service <sup>1</sup>	1 500	716
Hotel hire car service	400	167
Tour hire car services	400	134
Airport hire car services	60	0 <sup>2</sup>
School hire car services	1 500	0 <sup>2</sup>
<b>Total:</b>	<b>3 860</b>	<b>1017</b>

<sup>1</sup> TD classifies Private hire car service into Private Service (Ordinary), Private Service (Limousine) and Private Service (Limousine) (Cross-boundary).

<sup>2</sup> Airport hire cars were gradually replaced by limousines providing private hire car services in the mid-1980s, while at the same time school hire cars were also gradually replaced by school private light buses. TD has not issued these two types of Permit since then.