

立法會 *Legislative Council*

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Bills Committee on Franchised Taxi Services Bill

Background brief

Purpose

This paper provides background information on the Administration's legislative proposal to introduce franchised taxi services in Hong Kong. It also summarizes the major views and concerns expressed by members of the Panel on Transport ("the Panel") on the subject.

The Bill

2. The Franchised Taxi Services Bill ("the Bill") was published in the Gazette on 26 April 2019 and introduced into the Legislative Council ("LegCo") on 8 May 2019. The Bill seeks to establish a new regulatory regime to confer on the Chief Executive in Council ("CE-in-Council") the powers to grant and administer the franchises for franchised taxi service in Hong Kong.

Background

3. Currently, taxis constitute the majority of personalized and point-to-point public transport service in Hong Kong. At present, there are over 18 000 taxi licences, whose ownership are scattered with around 8 400 licence holders.¹ In recent years, ordinary taxi services and the conduct of some taxi drivers have been subject to increasing criticisms in the community, such as refusal of hire, poor service attitude towards passengers and overcharging. Meanwhile, certain personalized and point-to-point passenger services, which are non-compliant with legal requirements on the provision of

¹ As at 31 December 2018, there are 18 163 taxi licences, of which around 60% are held by individuals, while the rest are held by companies. There are about a total of 8 400 individual and company licence holders. Among these licence holders, around 75% hold one taxi licence; around 20% hold two to four taxi licences; around 3% hold five to nine taxi licences; around 2% hold ten or more taxi licences.

passenger services, have emerged through the use of car-hailing mobile applications. The Administration considers it necessary to review the provision of taxi services under the Public Transport Strategy Study (“PTSS”). One of the key recommendations of the Study is to introduce franchised taxis in Hong Kong.²

The proposal on franchised taxis

4. Details of the Administration’s proposal on franchised taxis are set out in paragraphs 5 to 23 of the LegCo Brief on Franchised Taxi Services Bill (THB(T)CR1/1136/2015). A comparison of the features of ordinary taxis and the proposed franchised taxi is set out in **Appendix I**. Salient points of the proposal are summarized below:

- (a) The franchise will be time-limited, non-transferrable and non-renewable. The duration of the franchise would be five years under the trial scheme. Upon expiry of the franchise, an operator of franchised taxis must compete with other interested parties in bidding for a new franchise. The franchise will be granted by fair and open tender;
- (b) The cap on the total number of franchised taxis in operation would be 600, which is about 3% of the 18 000-odd taxis in Hong Kong. Three franchises, with each allowing for the operation of 200 vehicles to provide franchised taxi service at any one time will be granted;³
- (c) Maintaining an employer-employee relationship would not be a mandatory requirement. Yet, if applicants for franchised taxis include such a proposal in the tender, the applicants will be accorded with a higher score in the tender assessment;⁴

² The PTSS was completed in June 2017. Its final report recommends that the Administration should adopt a two-pronged approach to enhance the personalized and point-to-point public transport services. Franchised taxi services should be introduced to meet the new demand for taxi services of higher quality and fare as well as with online hailing features. At the same time, the Government should continue to enhance the quality of existing ordinary taxis and their operating environment.

³ A company will not be issued with more than one franchise.

⁴ Some members of the taxi trade are concerned that the requirement for operators to maintain an employer-employee relationship with taxi drivers will increase the operating cost of franchised taxis. They opine that even under the prevailing rental model between the operators and drivers, the operators can introduce appropriate monitoring as well as reward and penalty mechanism to ensure drivers' service quality.

- (d) The proposed fare level of franchise taxis should be set at around 50% above the ordinary taxi fare⁵ so as to set a clear fare differential between ordinary taxis and franchised taxis to achieve a more distinctive market positioning of the two. The Transport Department ("TD") will engage a consultancy to reaffirm the definite fare level which will then be specified in the Schedule to the Bill by way of an order made by CE-in-Council after passage of the Bill. Details of the fare structure of franchised taxis are set out in **Appendix II**;
- (e) The franchises of franchised taxis will be granted by open tender. Bidders are required to submit both technical and financial proposals, the weighting scores of which will be 80:20. The framework of the tender assessment is set out in **Appendix III**;
- (f) Bidders for franchised taxis must meet the minimum capital requirement of \$50 million. Also, operators have to provide a guarantee of \$5 million to the Administration before the franchise period commences for deducting any penalty overdue by the franchisees. Upon completion of the franchises, the guarantee will be discharged after deducting any overdue penalty;
- (g) The intended framework of Franchised Taxi Services Regulation is set out in **Appendix IV**. Upon passage of the Bill, the Administration will submit the draft Regulation and the draft order to specify the fare level (point d above) to CE-in-Council for approval, which will then be tabled at the LegCo at the same sitting; and
- (h) The Administration proposes to introduce a Taxi Driver-Offence Points System ("TDOP System") and raise the penalties of ordinary taxi driver-related offences for repeat offenders, i.e. the two-tier penalty system with a view to strengthen the deterrent effect and enhance ordinary taxi service quality. The applicability of TDOP System and the two-tier penalty system will extend to franchised taxis as well.

⁵ The taxi trade submitted applications to TD in September 2018 for increasing their respective flagfall charges and subsequent incremental charges as well as shortening the waiting time. The proposed flagfall charges for urban, New Territories and Lantau taxis are \$30, \$26.5 and \$26 respectively.

Public Consultation

5. The Administration presented the preliminary idea of franchised taxis to the Panel in June 2016, and the latest proposal at the Panel meeting at April 2017 with suitable adjustments having regard to the views of various stakeholders.⁶ In addition, the Administration has been communicating with taxi associations, unions as well as other stakeholders through various channels to canvass their views.

Major views and concerns of members

Introduction of franchised taxis and enhancing ordinary taxi service

6. When discussing the introduction of franchised taxis at the Panel meeting held on 21 April 2017, some members were doubtful whether franchised taxi could address the problem of poor service quality of ordinary taxis. They also queried whether there was adequate consultation with the taxi trade in forging a consensus on the proposal. They called upon the Administration to immediately shelve the proposal, and set up a multi-lateral working group comprising different stakeholders and the taxi trade to steer the overall enhancement of taxi service. Recommendations on enhancement measures, such as allowing current taxi operators with good track records to operate quality taxi fleets with higher fares, and introducing a demerit point system to penalize taxi drivers' misconduct were made at the meeting. A motion proposed by these members, the wordings of which were set out in **Appendix V**, was passed in this regard.

7. Some other members opined that the effectiveness of franchised taxis in meeting public demand for higher quality taxi services could not be ascertained within the five-year franchise period. The mere number of 600 franchised taxis to sufficiently meeting the public demand was also uncertain. In addition, given the time-limited and non-renewable nature of the five-year franchise, it was doubtful whether operators would be interested in making the investment.

8. As regards the members' concern above, the Administration reiterated that the objective of introducing franchised taxis was not to replace ordinary taxis but to provide an additional choice to cater for the new demand in the community for personalized and point-to-point public transport services of higher quality and fare. The Administration would continue to enhance the ordinary taxi service proactively under the existing licensing regime, in parallel

⁶ "Franchised taxis" were referred to as "premium taxis" in previous Administration documents. "Premium taxis" are now renamed as "franchised taxis" to make clearer the different regime adopted by ordinary taxi service and the new service to be introduced under a franchise model.

with the introduction of franchised taxis in a multi-pronged approach. On this, the Administration was open to suggestions from members and the taxi trade, including the setting up of any new liaison channel with the participation of different stakeholders.

9. While some members expressed reservation towards the introduction of franchised taxis, other members welcomed the suggestion on the grounds that it would facilitate service improvement through competition. With the initial introduction of 600 franchised taxis, they opined that the livelihood of ordinary taxi drivers would not be much affected. In addition, given the permanent nature of taxi licences and the high licence price, taxi licence was considered by some taxi owners as an investment tool. The increase in the supply of taxis might help to curb licence speculation and provide an incentive for taxi owners to improve service. A member opined that in the long term, the Administration should consider changing the permanent nature of taxi licences or buying back the existing licences.

10. The Administration explained that under the existing licensing regime of ordinary taxis, taxi licences were permanent in nature and issued without any conditions directly related to service quality. The Administration considered it more desirable to meet the new demand in the community for better personalized and point-to-point public transport service through introducing franchised taxis. Regarding the licence premium of ordinary taxis, the Administration was not obliged to maintain the premium at a certain level.

11. On a member's suggestion of converting existing taxi licences for operating franchised taxis to lessen traffic burden on busy road sections and to achieve a win-win situation with the taxi trade, the Administration responded that any companies, including existing taxi operators, were welcomed to apply for the operating rights for franchised taxis. Also, franchised taxis might be able to attract usage by some private car users and thus the impact on road traffic might possibly be reduced.

Employer-employee relationship

12. Members queried the feasibility of imposing the requirement for the franchised 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. A member, however, conveyed the strong request of some taxi driver unions for maintaining an employer-employee relationship such that the risks of operating

taxi service would not be shifted to taxi drivers.

13. The Administration advised that maintaining an employer-employee relationship, though not a compulsory requirement, would be more desirable and accorded with a higher score in the tender assessment. In replying to a member's enquiry on the corresponding weighing in the tender assessment on the inclusion of an employer-employee relationship, the Administration advised that the specific details would need to further work out taking into account stakeholders' views.

Operating details of franchised taxis

14. On Members' enquiries about the franchise term and tender assessment for franchised taxis, monitoring mechanism in place to ensure service quality such as installation of closed-circuit television system ("CCTV") inside taxi compartments, and fare structure and fare adjustment mechanism, the Administration explained that in assessing tender submissions for franchised taxis, the proposed level of franchise fee would not be a prime consideration, but would instead place emphasis on the bidders' technical proposals. In addition, the franchise model would enable the Administration to monitor operators' performance through franchise terms to impose penalties or even revoke the franchise for unsatisfactory performance. In determining the fare level and fare structure for franchised taxis, the Administration considered it necessary to maintain a reasonable differential between the fares of ordinary taxis and franchised taxis and that future fare adjustments would require the approval of CE-in-Council and be subject to negative vetting by LegCo before implementation.

15. On the suggestion of installing CCTV systems inside taxi compartments, 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 enquired the Privacy Commissioner for Personal Data on the issue. The Administration had then no intention to introduce any compulsory arrangement in view of its wide implications and differing views of the public.

Hire car service

16. At the Panel meeting held on 16 June 2017, some members were gravely concerned about the limitations of the prevailing mechanism for issuing Hire Car Permits ("HCPs") in the development of hire car service. They pointed out that of the statutory quota of 1 500 HCPs, only 650 HCPs were issued. These members suggested setting up a cross-departmental working

group to review the issue and conduct a public consultation on ride-sharing.

17. The Administration explained that while the Administration would maintain an open mind on the application of technologies in respect of online car hailing services, valid HCPs should be obtained for the carriage of passengers for hire or reward under the law. In response to public views on hire car services, the Administration had completed a study on how the assessment of HCPs applications could be enhanced to facilitate new market entrants and ensure quality of vehicles.

Motions passed at the Panel meeting on 21 April 2017

18. At the above meeting, the Panel passed five motions in relation to the introduction of franchised taxis, including the one mentioned in paragraph 6 above. Wordings of the motions and the Administration's response to the issues raised in the motions are in **Appendices V** and **VI**.

Latest development

19. At the House Committee meeting on 10 May 2019, Members agreed to form a Bills Committee to study the Bill.

Relevant papers

20. A list of relevant papers is at **Appendix VII**.

Council Business Division 4
Legislative Council Secretariat
31 May 2019

Comparison of the features of ordinary taxis and franchised taxis

Features	Ordinary Taxis	Franchised Taxis
1. Mode of operation	<ul style="list-style-type: none"> - Operating through the issue of permanent ordinary taxi licences, for which renewal is not required - No conditions directly related to service quality are imposed on the ordinary taxi licences 	<ul style="list-style-type: none"> - To be operated through a 5-year franchise, which is non-renewable and non-transferable - Franchisees to be regulated through franchise terms, and franchisees have to monitor their services (including drivers)
2. Numbers	<ul style="list-style-type: none"> - 18 163 taxi license issued - Scattered ownership of ordinary taxi licences with around 8 400 licence holders - Around 60% are individuals while the rest are companies 	<ul style="list-style-type: none"> - 600 franchised taxis to be granted through three franchises - Each franchise to comprise 200 vehicles
3. Fare	<ul style="list-style-type: none"> - Regulated fares charged in accordance with the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D) or fares to be agreed between passengers and service-providers when hired as a whole 	<ul style="list-style-type: none"> - Regulated fares to be charged in accordance with the Franchised Taxi Services Ordinance (i.e. around 50% higher than ordinary taxis)

4. Drivers	<ul style="list-style-type: none"> - Drivers must be holders of a valid taxi driving licence¹ - The majority of the ordinary taxi drivers are self-employed rentee-drivers or owner-drivers 	<ul style="list-style-type: none"> - Drivers must be holders of a valid franchised taxi driving licence - Drivers must complete and pass the pre-service course requirement on franchised taxi - Drivers will receive training provided by the franchisees² - Franchisees are encouraged to maintain employer-employee relationship with their drivers³
5. Operating areas	<ul style="list-style-type: none"> - Three types of ordinary taxis in terms of operating areas, namely urban taxis, New Territories taxis and Lantau taxis (Lantau taxis can apply for the Lantau Closed Road Permits for entering south Lantau) 	<ul style="list-style-type: none"> - Same as urban taxis, with each franchisee to be issued three - five Lantau Closed Road Permits for entering south Lantau
6. Hailing arrangement	<ul style="list-style-type: none"> - Can be hailed on the street, at taxi stands or through pre-booked services (e.g. through 	<ul style="list-style-type: none"> - Can be hailed on the street, at franchised taxi stands or through pre-book services

¹ Legislative amendment is being prepared for requiring applicants for full driving licence for taxi to complete and pass a pre-service course for taxi designated and approved by the Commissioner for Transport.

² Franchisees are required under the franchise to provide drivers' training.

³ A bidder for the franchise who undertakes to maintain employer-employee relationship with its drivers will receive a higher score in the tender assessment.

	mobile applications or by telephone)	(including through mobile applications ⁴ or by telephone), the provision of which is compulsory for franchisees
7. Vehicle types	<ul style="list-style-type: none"> - No requirement on vehicle types in terms of vehicle price, wheelchair-accessible facilities - With valid third party risk insurance - Maximum capacity of 5 passenger seats 	<ul style="list-style-type: none"> - Subject to the minimum vehicle price requirement - Each franchise to comprise at least 50% of wheelchair-accessible vehicles - With valid third party risk insurance - Maximum capacity of 5 passenger seats
8. Vehicle age limit	<ul style="list-style-type: none"> - No requirement on vehicle age limit 	<ul style="list-style-type: none"> - A limit of five years to tally with the franchise period
9. Global positioning system devices	<ul style="list-style-type: none"> - No requirement on global positioning system devices 	<ul style="list-style-type: none"> - Must be equipped with global positioning system devices and record the real-time operating data for Government's inspection
10. Customer service and complaint handling	<ul style="list-style-type: none"> - No requirement on customer service or complaint handling channel - Passengers can lodge complaints and provide comments on ordinary taxi services to the Transport Department 	<ul style="list-style-type: none"> - Franchisees must provide 24-hour customer service hotline and electronic channels (e.g. email, online comment forms and mobile applications) for lodging complaints and providing comments

⁴ Passengers will not be required to enter the destination, except for access to south Lantau, unless the passengers opt to do so on their own volition.

	and the Transport Complaints Unit under the Transport Advisory Committee	<ul style="list-style-type: none"> - Franchisees will be required to respond to the complaints and comments within a reasonable period - Passengers may rate drivers' service in the mobile applications
11. Payment method	- No requirement on the provision of electronic payment means ⁵	- Franchisees must accept cash and provide at least one form of electronic payment means

⁵ A few taxi operators have adopted electronic payment systems such as WeChat Pay and AliPay.

The fare structure and fare adjustment mechanism of franchised taxis

The details of the proposed fare structure and fare adjustment mechanism of franchised taxis are as follows-

Fare structure

2. We propose adopting the similar fare structure of ordinary taxis for franchised taxis. The fares will include flagfall fare, incremental fares after flagfall and other charges¹. Having regard to the fact that franchised taxis will be public transport service and the experiences of other cities, the fare structure should be simple and clear for passenger's convenience in using the service. We are aware of the suggestions to introduce a peak-hour surcharge to facilitate better matching of passenger demand by the operators during peak-hour. In fact, passengers can provide tips in the existing taxi hailing through telephone call or mobile applications currently under the law to facilitate the matching process during peak-hour or for passengers with special needs. The existing arrangement should already provide sufficient flexibility for operators to efficiently respond to the passenger demand. Hence, we do not propose introducing peak-hour surcharge in the trial scheme.

Fare adjustment mechanism

3. With reference to the existing fare adjustment mechanism of ordinary taxis, we propose the fare adjustment should be approved by the Executive Council. The new fares will have to go through negative vetting by Legislative Council before implementation. Factors for considering fare adjustment applications can include-

- (a) the need to ensure the financial viability of franchised taxi operations, taking into consideration changes in revenue and operating costs;
- (b) the need to maintain an acceptable level of franchised taxi service

¹ Other charges include additional charge for carriage of articles and animals and other surcharges for every hiring involving the use of toll tunnel, toll road or toll area.

in terms of vehicle availability, passenger waiting time and passengers' feedback on service;

- (c) the need to maintain a reasonable differential between the fares of ordinary taxis and other public transport services, as well as hire cars;
- (d) public acceptability of the proposed fares; and
- (e) that the franchised taxi fare structure should be "front-loaded" and thereafter on a varying descending scale for incremental charges.

4. We propose that the operators will not be allowed to make application for fare increase within the first year of operation upon the commencement of the franchise as the operation and financial situation of the operators can only be ascertained after a period of operation. Operators are allowed to make application subsequently if necessary.

Framework of tender assessment

In assessing the tender applications for the franchises of franchised taxi service, the bidders should be able to meet the mandatory requirements in respect of the following aspects, including but not limited to -

Corporate structure

- (a) must be a company incorporated under the Companies Ordinance (Cap 622) or a former Companies Ordinance;

Operational arrangements

- (b) minimum fleet size requirement;
- (c) limit on vehicle age;
- (d) ownership of the vehicle fleet;
- (e) at least 50% of the vehicle fleet are wheelchair accessible;
- (f) minimum vehicle price requirement;
- (g) compartment facilities including safety devices (such as electronic data recording device), global positioning system, USB charging facilities, free Wi-Fi and at least one means of electronic payment;
- (h) vehicles for hire via mobile applications, telephone and street hail;
- (i) a 24-hour manned customer service hotline;
- (j) maintaining either an employer-employee or a principal-agent relationship with the drivers;
- (k) opening up of data;

Financial capability

- (l) minimum capital requirement; and
- (m) financial guarantee provided during the franchise period.

2. Having regard to the importance of good service quality of franchised taxis, we would give higher scores to bidders who can commit

over and above the mandatory requirements with a view to encouraging them to provide higher quality services. For example, bidders who propose to use more environmentally-friendly vehicles, a higher percentage of wheelchair accessible vehicles, more innovative and practical compartment facilities (including safety devices), more electronic payment means, a higher proportion of drivers engaged in employer-employee relationship, etc., will be accorded with a higher score in the tender assessment.

3. Tender applications submitted by bidders will be assessed on the basis of their technical and financial proposals. Given our emphasis on service quality of franchised taxis, the technical proposal will constitute a higher weighting (80%) in the total score while the financial proposal, being a secondary consideration, will constitute a lower weighting of 20%. The proposed marking scheme for the technical proposal will cover the following four aspects, with tentative relative weightings as follows:

- (a) corporate capability and experience (20 marks);
- (b) vehicle quality, safety and maintenance (20 marks);
- (c) driver management (30 marks); and
- (d) service delivery and customer services (30 marks).

Framework of the Franchised Taxi Services Regulation

The proposed framework of the draft Franchised Taxi Services Regulation (the Regulation) is set out below:

- (a) **Part 1** will provide for the commencement and interpretation of some terms in the Regulation.
- (b) **Part 2** will contain provisions in relation to the designation of franchised taxi stands.
- (c) **Part 3** will contain provisions in relation to the general obligations of the franchisee to ensure that –
 - (i) a policy of insurance or a security in respect of third party risks is in force on all its franchised taxis;
 - (ii) the drivers providing franchised taxi services are the holders of a valid licence for driving franchised taxis;
 - (iii) specific document/notices (e.g. scale of fares of franchised taxi services, franchised taxi driver identity plate, etc.) are properly displayed inside the franchised taxi compartment in accordance with the Regulation; and
 - (iv) a receipt must be issued to the passenger in accordance with the Regulation if the passengers pay the fare to the franchisee directly.

Part 3 will also contain provisions to prohibit the franchisee from charging, without the Commissioner for Transport (C for T)'s approval, fares other than in accordance with the scale of fare prescribed in the Franchised Taxi Services Ordinance, and from refusing to hire. The franchisee will also be liable for any failure to fulfil its management responsibility where any of the drivers providing a franchised taxi service is convicted of any offences under the Regulation and it is proved that the franchisee has caused or directed the driver to do so, or the conviction of such offence is attributable to the negligence, omission or recklessness of the franchisee.

- (d) **Part 4** will contain provisions in relation to the general obligations of a franchised taxi driver. The franchised taxi driver will be prohibited from –
- (i) providing franchised taxi services if the driver identity plate and appropriate notice have not been properly displayed in the franchised taxi;
 - (ii) charging, without C for T's approval, fares other than in accordance with the scale of fare prescribed in the Franchised Taxi Services Ordinance;
 - (iii) refusing to hire;
 - (iv) permitting any person other than the hirer to enter the franchised taxi without the consent of the hirer;
 - (v) refusing or neglecting to drive the franchised taxi to any place indicated by a hirer; and
 - (vi) soliciting.

This part will also contain provisions in relation to the locations for picking up/setting down of passengers, conduct at franchised taxi stands, use of taximeter for franchised taxis, issue of receipt and other general conduct to be complied with when the franchised taxi driver is on duty.

- (e) **Part 5** will contain provisions in relation to the general obligations of passengers, including provisions in respect of the general conduct of passengers when using franchised taxi services (e.g. passengers must not wilfully obstruct, impede or distract the driver of the franchised taxi, wilfully damage any part of the franchised taxi, etc.), conduct of passengers in relation to fare payment and the wearing of seat belts, etc.
- (f) **Part 6** will contain provisions in relation to carriage of articles and animals. Arrangements similar to those for ordinary taxis will be adopted. For instance, the franchised taxi must not carry any article of a dangerous or offensive nature or any baggage that is not securely wrapped; the carriage of animals on a franchised taxi and the terms and conditions under which any animal is carried is to be at the discretion of the driver; any person who is permitted to take any animal on a franchised taxi is to be responsible for and must pay for any damage caused to the franchised taxi by the animal, etc.
- (g) **Part 7** will contain provisions in relation to handling of lost property. For example, any person who finds any property accidentally left in a

franchised taxi is required to hand it in the state in which the person finds it to the franchised taxi driver or authorised persons of the franchisee. The franchisee is required to keep safe any lost property that comes into its possession until the property is claimed by the property's owner or disposed of in accordance with the Regulation.

**Motions on personalised and point-to-point transport services
passed at the Panel on Transport meeting on 21 April 2017**

1. The first motion

Moved by: Hon Frankie YICK Chi-ming

Seconded by: Hon YIU Si-wing, Hon CHUNG Kwok-pan, Dr Hon Junius HO Kwan-yiu and Hon LAU Kwok-fan

Given that the scheme introduced by the Government to issue 600 new “franchised taxi” licences fails to address the demand of the general public for enhancing the overall taxi service, while issuing 600 additional “franchised taxi” licences will only further aggravate the road traffic congestion problem, and the absence of any prior consultation with the taxi trade and the various political parties/groups of the Legislative Council (LegCo) has drawn criticisms from the various political parties/groups of LegCo and a strong backlash from the taxi trade, this Panel now solemnly requests the Government to shelve the “franchised taxi” scheme and expeditiously form a working group with the taxi trade and the various political parties/groups of LegCo for formulating a comprehensive proposal to comprehensively upgrade the taxi service level.

2. The second motion

Moved by: Hon LUK Chung-hung

Seconded by: Hon HO Kai-ming

This Panel supports the Government to upgrade the service level of the taxi trade, but before introducing the franchised taxi service, the Administration should communicate more with the taxi trade and needs to stipulate that an employer-employee relationship between franchised taxi operators and their drivers is an essential prerequisite, otherwise it is difficult to enhance service quality through improving the livelihood of drivers and employment protection; in the meantime, the Government also needs to make overall improvement to the operating environment of the trade, including relaxing the restrictions on picking up and dropping off passengers, and stepping up efforts to combat illicit acts involving “discount taxis” and “white licence cars” with a view to ensuring and enhancing the quality of taxi service in various aspects.

3. The third motion

Moved by: Hon Charles Peter MOK

This Panel is strongly dissatisfied with the quality of taxi service in Hong Kong. Along with the growth in the population in Hong Kong as well as the demand for local transport, and given the permanent and transferrable nature of taxi licences, Hong Kong's taxi licences have evolved into an investment tool, while taxi drivers have to pay high rentals for taxi licences, and there is hardly any incentive for them to improve their services. This Panel urges the Government to provide more personalised and point-to-point transport services, promote market competition, reform the licensing system for Hong Kong taxis, and introduce franchised taxis with time-limited licences which are subject to regular renewal. This Panel also proposes that the Government should review the service licences of hire cars and introduce an appropriate regulatory regime for Internet car calling services in order to improve service quality as a whole and provide the public with diversified choices.

4. The fourth motion

Moved by: Hon Michael TIEN Puk-sun

Given that introduction of franchised taxis by the Government to expand the customer base and improve the service quality of the taxi trade will however definitely increase the traffic flows on the road, while giving priority to the conversion of existing taxi licences for operating new franchised taxis can be a win-win solution, conversion of existing taxi licences should therefore be included as one of the necessary conditions. As it is essential to ensure service quality, yet the Government's proposal of a five-year franchise has limited effect on the assurance of service quality, this Panel urges the Government to set up a "Steering and Assessment Committee on Premium Taxis (the Committee), with minor representation from the trade in its composition, to be tasked with vetting applications for franchises to operate franchised taxis. The conditions for application should include but not limit to the installation of in-car closed-circuit television system. The franchise may be granted upon satisfaction of the relevant conditions. The Committee should be empowered to revoke, at any time, a franchise if the franchised taxi driver concerned delivers a poor service repeatedly without making improvement, so that franchisees will be mindful of any investment losses arising therefrom.

5. The fifth motion

Moved by: Hon LAU Kwok-fan

In face of the increasing public demand, both in terms of quality and quantity, for personalised and point-to-point transport services, this Panel requests the Government to assist the taxi trade in improving service quality, enhance the training of practitioners, introduce an appropriate service quality monitoring mechanism for the trade, and review the policy and legislation relating to hire cars, so that the rapidly developing car calling service mode can be operated under appropriate regulation to meet the needs of the public.

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7 June 2017

[English translation for reference only]

Secretary General
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn.: Ms. Doris LO)
[Fax no.: 2840 0269]

Dear Ms. LO,

**Motions passed at the meeting
of Panel on Transport on 21 April**

Thank you for your letter of 25 April to the Secretary for Transport and Housing regarding the captioned subject. Our reply is set out below.

Since we commenced the study in November 2015 on the introduction of franchised taxis, we have been liaising with taxi trade, unions as well as other stakeholders through various channels to canvass their views. We have also taken note of the views and opinions of the community. Overall speaking, the public welcome the introduction of franchised taxis as a new alternative and ask for early implementation. Some members of the taxi trade are worried about the impact of the franchised taxi on existing taxi trade. They have proposed that even if the franchised taxis were to be introduced, the Government should make use of some ordinary taxi licences to operate franchised taxis. The Government does not agree with this request since it would be equivalent to a closed market, which is contrary to the principle of open competition.

The Government has submitted the latest proposals¹ at the Panel on Transport meeting on 21 April 2017. The latest proposals have made suitable adjustments to the preliminary proposals in June 2016 to address the concerns and worries of the taxi trade as well as meet the public demand for more convenient and higher-quality “online hailing” services.

At the meeting, members have divergent views on enhancing personalised and point-to-point services and passed 5 non-binding motions. One of the motions requested the shelving of the proposal (7 affirmative, 5 negative and one abstention vote(s)). The remaining 4 motions, while basically supported the introduction of franchised taxis, put forward different views on the implementation details. For instance, some members opined that while introducing franchised taxis, efforts should be made to combat unlawful acts, strengthen drivers’ training and introduce suitable service quality monitoring mechanism within the trade so as to enhance ordinary taxi services quality on all fronts; the new services should be offered in a manner different from the existing licensing regime and should be subject to a prescribed duration; the Government should review the policy on hire car services and introduce suitable regulatory mechanism for “online hailing” to meet the demand of the public; the Government should re-consider stipulating that franchised taxi operators should maintain an employer-employee relationship with their drivers; and to consider giving priority to existing ordinary taxis for converting their licences into operating right of franchised taxis.

In the light of the results of consultation with the Panel on Transport mentioned above and the generally supportive views from the community, our conclusion remains that the introduction of franchised taxis could meet the new demand in the community for personalised and point-to-point services of higher quality and fare. As to whether we should explore introducing other new services (such as regulated online hailing services), the answer would depend on the outcome of the scrutiny of the legislation on franchised taxis by the Legislative Council.

A two-pronged approach has to be adopted to enhance taxi services. Ordinary taxis are cheaper and will continue to be the main taxi services used by the general public. After the introduction of franchised taxis, the current 18 000-odd taxis will continue to be the majority of the personalised and point-to-point public transport services. Therefore, the Government will on one hand continue to strive to enhance the existing taxi service quality and operating environment by, inter alia, (i) reviewing the current penalty for various taxi malpractices; (ii) relaxing permanently the no-stopping restrictions for taxi from peak hours and “7 a.m. to 7 or 8 p.m.” on roads with

¹ Please refer to LC Paper No. CB(4)666/16-17(05) for details:
<http://www.legco.gov.hk/yr16-17/english/panels/tp/papers/tp20170317cb4-666-5-e.pdf>

speed limit less than 70 kilometres per hour; (iii) extending the validity period of taxi driver identity plates; (iv) amending the requirement for applicants for driving licence for taxis (and some other vehicles) to have held a valid driving licence for private car or light goods vehicle for at least 3 years to at least one year; and requiring applicants for full driving licence for taxi and non-franchised public bus to complete and pass a pre-service course designated and approved by the Commissioner for Transport; and (v) proactively considering subsidising taxi drivers to enroll in training courses. It is expected that the above measures could be introduced within 2-3 years.

On the other hand, the Government will continue to maintain close liaison with the taxi trade. We propose to revamp the current Quality Taxi Services Steering Committee under the Transport Department to strengthen the interaction and cooperation with the trade and other important stakeholders (including stakeholders such as the Chartered Institute of Transport, passenger concern groups, Consumer Council, Competition Commission and labour organisations) so as to drive changes and consider feasible supportive measures under the existing licensing regime. The revamp will start soon.

The above measures are recommendations under the Public Transport Strategy Study (“PTSS”). We will brief the Panel on Transport on the findings of the PTSS on 16 June and canvass members’ views. The Study Report of the PTSS can be found at Transport and Housing Bureau’s website (<http://www.thb.gov.hk>).

Yours sincerely,
[signed]
(Peggy NG)
for Secretary for Transport and Housing

**Background brief on
Franchised Taxi Services Bill**

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
21.4.2017	TP	Administration's paper on Public Transport Strategy Study Role and Positioning Review - Personalized and point-to-point transport services	CB(4)666/16-17(05) https://www.legco.gov.hk/yr16-17/english/panels/tp/papers/tp20170317cb4-666-5-e.pdf
		Background brief on personalized and point-to-point transport services in Hong Kong prepared by the Legislative Council Secretariat	CB(4)666/16-17(06) https://www.legco.gov.hk/yr16-17/english/panels/tp/papers/tp20170317cb4-666-6-e.pdf
		Minutes of meeting	CB(4)1616/16-17 https://www.legco.gov.hk/yr16-17/english/panels/tp/minutes/tp20170421.pdf
		Administration's follow up paper to the meeting on 21 April 2017	CB(4)1184/16-17(01) https://www.legco.gov.hk/yr16-17/english/panels/tp/papers/tp20170421cb4-1184-1-e.pdf
16.6.2017	TP	Administration's paper on Public Transport Strategy Study	CB(4)1176/16-17(03) https://www.legco.gov.hk/yr16-17/english/panels/tp/p

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
			apers/tp20170616cb4-1176-3-e.pdf
		Background brief on Public Transport Strategy Study	CB(4)1176/16-17(04) https://www.legco.gov.hk/yr16-17/english/panels/tp/papers/tp20170616cb4-1176-4-e.pdf
		Minutes of meeting	CB(4)177/17-18 https://www.legco.gov.hk/yr16-17/english/panels/tp/minutes/tp20170616.pdf

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