

Bills Committee on Franchised Taxi Services Bill

Government's Response to Issues Raised at the Meeting on 18 November 2019

The Government's response to the issues raised by Members at the meeting on 18 November 2019 is set out as follows.

Taxi Utilisation

2. At present, there are a total of 18 163 taxis in Hong Kong, of which 15 250 are urban taxis, 2 838 are New Territories ("NT") taxis and 75 are Lantau taxis. Every year, the Transport Department ("TD") conducts surveys on the service level of the three types of taxis, so as to better understand the supply and demand of taxi service as well as the operating situation of the trade. In 2019, surveys were conducted at 100 major taxi stands and 36 roadside checkpoints from May to June. Since the demand for taxi service in urban areas and the NT was greater during weekdays, the surveys conducted were to target on the weekday service level. As for Lantau Island, since much of the service demand arose from the recreational activities on weekends, the surveys were also conducted during weekends in addition to weekdays. As compared with the results of similar surveys conducted in 2014, the passenger waiting time for urban taxis and NT taxis increased slightly in 2019 despite not significant, while the passenger waiting time for Lantau taxis in 2019 was shorter than that in 2014¹.

3. In terms of the overall taxi service operation, the TD conducted surveys in July 2019 at all operating liquefied petroleum gas ("LPG") filling stations within the territory². It was observed that a total of 13 579

¹ According to the results of the surveys conducted in 2019, the average passenger waiting time for urban taxis remained at 2 minutes at roadside, while that at taxi stands changed from 1 minute to 2 minutes. The average passenger waiting time for NT taxis changed from 4 minutes to 6 minutes at roadside and remained at 1 minute at taxi stands. The average passenger waiting time on weekdays and weekends for Lantau taxis changed from 14-15 minutes to 10 minutes at roadside and changed from 1-3 minutes to 2 minutes at taxi stands.

² The vast majority of taxis in Hong Kong use LPG as fuel, and only 4 taxis use petrol or petrol-electric hybrid as fuel.

urban taxis, 2 465 NT taxis and 72 Lantau taxis refilled gas at the LPG stations, which indicated that a total of 16 116 taxis were operating in Hong Kong during the survey period, with an operation rate of about 89%. The TD estimated that about 2 040 taxis were temporarily not in service in July 2019, accounting for about 11% of the total fleet of 18 163 taxis in the territory. Taking into account that some taxis were under regular vehicle examination or maintenance, the actual number of taxis that might be left idle due to driver shortage should be less than 10%. The TD does not have a breakdown of the number of taxis operating during daytime and at night.

4. As for the average daily patronage of taxi, it has dropped from about 869 000 during the period from April to June 2019 to about 855 000 during the period from July to September 2019, with a decrease of about 1.6%.

5. The TD has conducted on-site surveys targeting taxi stands with more tourists, but they do not maintain data concerning tourists taking taxis within the whole territory. The TD will later conduct a territory-wide comprehensive survey on all three types of taxis with a focus on the distribution of tourists and non-tourists.

Accreditation Scheme for Quality Taxi Fleets

6. In August 2019, the Hong Kong Taxi Council recommended the Government to introduce an “Accreditation Scheme for Quality Taxi Fleets” (the “Accreditation Scheme”) to assist the trade in forming taxi fleets with better quality, thereby enhancing the quality of taxi service, on the premise that legislative amendments will not be required. According to the proposed Accreditation Scheme, the Government should set up a committee for accrediting quality taxi fleets (the “Accreditation Committee”) and formulating the conditions for accreditation (e.g. hiring a professional fleet manager to manage at least 100 taxis, providing driver training courses, implementing a fare setting mechanism, providing hailing services via mobile phone applications or by phone call, keeping the vehicle age below 5 years, providing free wifi inside vehicles, providing different non-cash payment means for passengers, etc.). The Accreditation Committee shall regularly assess and approve applications for the Accreditation Scheme and accredit taxi fleets that could meet the

accreditation conditions. The accredited taxi fleets will be able to enjoy certain privileges, such as the use of bus-only lanes, use of additional pick-up and drop-off facilities, use of all restricted zone for boarding and setting down passengers, provision of subsidies to wheelchair passengers, etc. The Accreditation Committee shall also regularly review the performance of the accredited taxi fleets. If a fleet is found to have violated the accreditation conditions, the Accreditation Committee will issue warnings, impose penalties, or even remove the fleet's accreditation.

7. We note that some of the proposed conditions under the Accreditation Scheme have made reference to the franchised taxi proposal (e.g. requirements on vehicle age limit, drivers' training courses, free wifi service, hailing via mobile phone applications or telephone, etc.). Still, the service of an accredited quality taxi fleet is limited by the existing operation mode of taxis. Participation in the Accreditation Scheme and fulfilment of accreditation conditions are only voluntary, which depend on the willingness or performance of the taxi owners and drivers. Service quality cannot be ensured legally nor institutionally. In the event of violations of the accreditation conditions, apart from removing the fleet's accreditation, the Accreditation Scheme lacks an institutionalised mechanism to impose penalties on the fleet and to ensure service quality of the fleet in the long run.

8. Some of the suggestions regarding the Accreditation Scheme may involve legislative amendments or may not be desirable in practice:

(I) Fare setting mechanism

9. The Accreditation Scheme mentions that the target passengers of the quality taxi fleets will be those who are willing to pay a higher fare for quality service. It is proposed that the accredited fleets can have their own mechanisms for determining fares where such estimated fares will be shown to passengers before boarding. Under the current legal framework, accredited taxi fleets still belong to the vehicle class of taxi and should be charged according to the taximeter based on the taxi fare level prescribed under the law. The TD also has an established mechanism for assessing fare increase applications submitted by the taxi trade. Therefore, without amending the existing legislation, accredited fleets can

only charge taxi fares prescribed under the law according to the taximeter, and cannot specify another taxi fare level.

10. As for the hire-as-a-whole service arrangement permitted under the existing law, the registered owner of a taxi shall provide service in the form of hiring as a whole, and the fare for hire-as-a-whole service shall be agreed between the parties that provide and receive the services, and they must strictly abide by the requirements of relevant legislation.

(II) Allowing accredited fleets to use bus-only lanes

11. Buses are the most efficient road-based mass carrier with the highest carrying capacity. To provide convenience to the general public, the Government has introduced bus-only lanes to suitable road sections, so as to reduce the impact of traffic congestions on bus services with a view to ensuring the stability of their frequency. If we were to relax the use of bus-only lanes by accredited taxi fleets, it may affect the overall efficiency of bus-only lanes, the traffic flow of the limited road space and other road users. Therefore, the Government considers that the proposal to relax the use of bus-only lanes by taxis is not desirable. In fact, the Government has been designating taxi pick-up/drop-off points and, where traffic situations allow, relaxing some no-stopping restrictions for taxis to pick-up/drop-off passengers in order to facilitate their operation and enhancement of service quality.

(III) Increasing taxi pick-up and drop-off points and full relaxation of restricted zones for taxi pick-up and drop-off activities

12. Having considered the traffic conditions and local needs as well as striking a balance between various factors such as traffic flows, loading/unloading activities and parking demand, etc., the TD will designate no stopping zone at suitable road sections to ensure smooth traffic flow. To assist the taxi trade in improving their operating environment, the TD has set up a working group on relaxation of restricted zones for taxis to hold regular meetings with the trade representatives and conduct detailed studies on the trade's proposals to increase taxi pick-up and drop-off facilities as well as requests for relaxation of no-stopping restrictions for taxis. TD will make suitable arrangement to facilitate taxi

trade's operation when traffic conditions permit. However, in view of the fact that designation of restricted zones can effectively control and manage traffic flow, we consider that it is not desirable to fully relax the restricted zones for the accredited taxi fleets for boarding and alighting of passengers.

(IV) Providing subsidies to wheelchair passengers

13. At present, some taxi companies provide pre-booked hire-as-a-whole services to passengers (including wheelchair passengers) and will charge booking fees to cope with the higher operation costs. The Accreditation Scheme therefore proposes that the Government should provide subsidies to wheelchair passengers to cover the related booking fees. In fact, the current legislation does not distinguish different taxi fare levels for wheelchair passengers and general passengers. There is no additional charge for wheelchairs and crutches taken on board by people with impaired mobility. The proposed arrangements for provision of subsidies will involve complicated administrative arrangements, in particular, the definition of an eligible wheelchair user must be carefully considered and studied.

The Franchised Taxi Proposal

14. By contrast, the Government proposes to introduce franchised taxi services under a trial scheme and specify common service standards through franchise terms, which can enable the Government to monitor the services provided by the operators (especially the performance of the drivers) under the system more effectively, so as to ensure the overall service quality of franchised taxis in a sustained and sufficient manner. The operators (and drivers) will be regulated by the law and franchise. If an operator fails to meet the service levels or standards prescribed under the franchise, the Government will be able to impose penalties or even revoke the franchise under the law. The franchise terms could be kept up-to-date in the system, which the Government could review and amend having regard to prevailing circumstances before new franchises are to be issued.

15. We must emphasise again that franchised taxis and ordinary taxis will have different market positioning in the public transport system, with

the former being an enhanced complement to the latter. Ordinary taxis will continue to constitute the vast majority of personalised and point-to-point public transport services and their fare level is more affordable to the general public. We are glad to note and encourage members of the taxi trade to take the initiative to operate taxi services in fleets with various measures introduced to monitor the drivers' service quality, thereby enhancing the service level. Meanwhile, the Government has been maintaining close communication with the trade to actively improve the quality of taxi services. The TD established the Committee on Taxi Service Quality ("CTSQ") in January 2018, which serves as a multi-party platform for discussing and promoting various strategies and measures to enhance the service quality of existing taxis. The TD and the CTSQ agree that taxi service management teams providing excellent services should be recognised and praised. Therefore, in addition to awards presented to outstanding taxi drivers, the Taxi Service Commendation Scheme this year has been extended to recognising taxi service management teams with excellent service performance, commending both the quality service provided by taxi drivers and service management teams. The TD will continue, in collaboration with the taxi trade, to take forward various measures to enhance the service quality and operating environment of taxis through the CTSQ.

16. As for the taxi trade's proposal to convert certain number of ordinary taxi licenses to operate franchised taxis, which makes use of ordinary taxis to operate franchised taxi service rather than tendering for new franchises, we have repeatedly explained to the taxi trade during the consultation on the franchised taxi proposal that it is not a simple issue. Complicated legal and financial issues would be involved from the theoretical and operational perspectives, for example:

- (i) legally speaking, the two types of taxis are subject to different regulatory regimes. Ordinary taxi licences are issued under the Road Traffic Ordinance. The licences carry a price. They are permanent and freely transferable. On the other hand, franchised taxis will be operated under a franchise which is time-limited, non-transferable and revocable. It requires a new legal framework for implementation. The trade's proposal of making use of some ordinary taxi licences

to operate franchised taxis aims to provide passengers with a service of higher quality at a higher fare under the existing taxi licensing regime, which is a completely different arrangement. While we do encourage the trade to enhance service quality under the existing regime, making use of ordinary taxi licences to operate franchised taxis cannot resolve the difficulty in centrally managing the service quality given the background of scattered ownership of ordinary taxi licences. Therefore, the Government considers it necessary to introduce new operation mode of taxi service through the franchise model.

- (ii) on the financial front, the existing ordinary taxi licences are issued through open tender and awarded to those who offer the highest prices. As the licences can be traded freely, taxi owners may have bought their taxi licences at different prices and hence, the costs of each ordinary taxi to operate under the franchised taxi model are different. Meanwhile, franchises of franchised taxi service will be time-limited and non-transferable. The operators will be required to pay the franchise fee as proposed in their tender applications. The above will lead to difference in the economic value of the two licences. It is questionable whether ordinary taxi licence holders are willing to surrender their permanent licences to the Government in exchange for a time-limited franchise of franchised taxis.

17. In addition, taking into account the principle of open competition, the Government is of the view that the proposal of making use of some ordinary taxi licences to operate franchised taxi would be equivalent to a closed market, which will in effect restrain the entry of new operators as well as the growth of taxi numbers in an orderly manner, thereby hindering the fair development of taxi market, which is not desirable. Since there is a certain demand in the community for personalised and point-to-point public transport services of higher quality and fare, the Government considers that a certain number of franchised taxis must be introduced instead of converting some of the existing 18 000 taxis to the operating right of franchised taxis. In fact, existing taxi operators can also apply for

the franchises of franchised taxis. Bidders for a franchise of franchised taxis with experience in operating ordinary taxis and other public transport services in Hong Kong will be given a higher score in their applications.

**Transport and Housing Bureau
Transport Department
December 2019**