

## **LEGISLATIVE COUNCIL BRIEF**

### **FRANCHISED TAXI SERVICES BILL**

#### **INTRODUCTION**

A At the meeting of the Executive Council on 16 April 2019, the Council ADVISED and the Chief Executive ORDERED that the Franchised Taxi Services Bill (the Bill), at Annex A, should be introduced into the Legislative Council (LegCo). 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.

#### **JUSTIFICATIONS**

2. Currently, taxis constitute the majority of personalised and point-to-point public transport services. Hire cars provide another kind of personalised and point-to-point service, but their number is small and they do not come under the category of public transport service. In recent years, ordinary taxi services and the conduct of some taxi drivers (such as refusal of hire, poor service attitude towards passengers and overcharging) have been subject to increasing criticisms in the community. There are widespread views that the Government should strengthen the regulation of taxi services and consider issuing more taxi licences<sup>1</sup> to enhance competition. Meanwhile, certain personalised and point-to-point passenger services, which are non-compliant with legal requirements on the provision of passenger services, have emerged through the use of car-hailing mobile applications. In gist, there is a strong and growing public demand to enhance personalised and point-to-point public transport services. To this end, the Government has

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<sup>1</sup> The last issue of taxi licences was in 2016 when 25 Lantau taxi licences were issued. While no urban and New Territories taxi licences have been issued since 1994, the population of Hong Kong has increased from over 6 million to over 7 million over the past 25 years. There is an increasing passenger demand for taxis during peak hours. Meanwhile, the number of taxis per person in some nearby cities is higher than that in Hong Kong.

accorded priority to reviewing taxi services under the Public Transport Strategy Study (PTSS). One of the key recommendations of the study, which was completed in June 2017, is to introduce franchised taxis in Hong Kong (formerly referred to as “premium taxis”)<sup>2</sup>.

3. The existing operation mode of ordinary taxis has posed certain limitations to ensuring the overall quality of taxi services in a sustained fashion. At present, there are over 18 000 taxi licences, which are all permanent in nature without any renewal requirement. Further, these licences have been issued without any conditions directly related to service quality. Hence, we cannot rely on the taxi licences to impose any penalty against taxi owners and/or drivers for unsatisfactory taxi service. The Government considers it unviable to impose, through legislative amendments, new conditions in existing licences to regulate taxi services<sup>3</sup> as it will involve much legal complication. Therefore, under the present regime, regulation of taxi services can only be carried out by enforcement action under the Road Traffic Ordinance (Cap. 374) and its subsidiary legislation. However, practical experience over the years is that even this route has its limitations<sup>4</sup>.

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<sup>2</sup> The PTSS Final Report recommends that the Government should adopt a two-pronged approach to enhance personalised and point-to-point public transport services. On the one hand, franchised taxi service should be introduced to meet the new demand for personalised and point-to-point public transport services of higher quality and fare as well as with online hailing features. On the other hand, the Government should continue to enhance the quality of existing ordinary taxis and their operating environment (see paragraph 18 below for details).

<sup>3</sup> Different from taxi licences, existing passenger service trades are regulated by the Passenger Service Licences (“PSLs”). The PSLs are time-limited (for one to three years in general). The Government may add new licence conditions when issuing new PSLs (i.e. renewing the PSLs). If the PSL holders do not comply with the licence conditions, the PSLs may be suspended or revoked in serious cases. Since existing taxi licences are permanent in nature and renewal is not required, the Government cannot add new licence conditions on these licences to achieve the same effect as in PSLs.

<sup>4</sup> Malpractices of drivers usually occur with the presence of the drivers and passengers only. The absence of other independent corroborating evidence renders it difficult to gather evidence for prosecution. At present, apart from decoy operations, enforcement actions are mainly conducted by way of summons after investigations in response to the public's complaints. However, whether such complaints can be referred to the Police for investigation or prosecution depends on the willingness of the complainants to involve in the investigation or prosecution proceedings or to testify in court. Even if the existing legislation is amended to impose heavier penalties on malpractices of taxi drivers, the effectiveness of enforcement is still subject to constraints arising from the aforesaid high threshold for gathering of evidence for prosecution.

Thus, the quality of existing taxi service is largely dependent on the Government's education/publicity efforts and the self-discipline and performance of individual owners or drivers. This situation is clearly unsatisfactory, and is further compounded by the scattered ownership of ordinary taxi licences, with around 8 400 licence holders<sup>5</sup>. It is difficult for the taxi owners to work together to centrally manage service quality and to maintain service quality of the drivers in the long run. Further, the fact that taxi licences are freely transferable in the market means that, for some taxi licence holders, they see the licences primarily as an investment tool. Against the above background, we consider it necessary to establish a new regulatory regime to introduce a new form of taxi service, i.e. franchised taxis, to meet the community's demand for personalised and point-to-point public transport services of higher quality.

4. The Government presented the preliminary idea of franchised taxis to the LegCo Panel on Transport (the Panel) in June 2016 and presented the latest proposals at the Panel meeting in April 2017, which included suitable adjustments to the preliminary proposal in June 2016 having regard to the views of various stakeholders. The key features of franchised taxi proposal are set out in the ensuing paragraphs.

#### Franchise model

5. As opposed to the existing licensing regime of ordinary taxis mentioned in paragraph 3 above, granting franchises to operators to operate franchised taxis, similar to franchised bus services, will enable the Government to monitor the operators' performance through franchise terms<sup>6</sup>. The operators will be responsible for ensuring that their services (including the performance of the drivers) will be proper and efficient as prescribed in the franchises. This will help address the current difficulty in centrally managing the service quality of ordinary taxis due to scattered ownership. Meanwhile, through franchise terms, the Government will be able to clearly prescribe the service levels and set service standards in respect of vehicle types, compartment facilities, limit on vehicle age, arrangement of mobile

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<sup>5</sup> At as 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 licenses; around 3% hold five to nine taxi licences; around 2% hold ten or more taxi licences.

<sup>6</sup> The franchise terms would be imposed by the CE-in-Council by the power conferred on it under the new legislation.

hailing applications (the so-called “online hailing”), service quality of drivers, etc. Apart from service quality, requirements on safety features and devices, safe driving training for drivers, drivers’ working condition and environment, etc., will also be included in the franchise terms as well. 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.

6. In view of the limitations of the existing regime of permanent licences, the franchise will be time-limited, non-transferrable and non-renewable. The duration of franchise would be five years<sup>7</sup> under the trial scheme, having regard to the need for the Government to review the trial scheme and make necessary adjustments as well as the time required for the operators to become financially viable. Upon the expiry of the franchise, an operator of franchised taxis must compete with other interested parties in bidding for a new franchise. The franchises will be granted by fair and open tender. Applications for a franchise will be processed according to the arrangements set out in paragraphs 14 - 17 below.

#### Number of franchises and number of franchised taxis

7. In deciding the number of franchised taxis, we have taken into account the uncertainties of the passengers’ demand for the new services under the trial scheme and the taxi trade’s concern on the number of franchised taxis and its impact on the business development of ordinary taxis. Under the trial scheme, we propose to introduce 600 franchised taxis in total (i.e. about 3% of the 18 000-odd taxis in Hong Kong). We are of the view that such number can strike a balance between various considerations, and the Panel and the public were so informed when we presented the proposal on franchised taxis in April 2017 and subsequently in the release of PTSS Report in June 2017. We therefore propose to stipulate the cap on the total number of franchised

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<sup>7</sup> In the event that there is a foreseeable delay in the commencement of the next franchise which may result in discontinuation of franchised taxi service, the CE-in-Council may extend the franchise period of the incumbent franchisee once, for not exceeding one year, if CE-in-Council is satisfied that the franchisee is capable of maintaining a proper and efficient service and considers that such extension is appropriate for ensuring the continuity of franchised taxi service.

taxis in operation at 600 in the Bill<sup>8</sup>. If any amendment to the cap is required, say, after the trial scheme comes to an end, the Government will thoroughly consult various stakeholders, including the taxi trade, before proceeding with the required legislative amendment exercise. This approach is similar to the current statutory cap on the number of public light buses.

8. Moreover, we propose granting three franchises, with each allowing for the operation of 200 vehicles to provide franchised taxi service at any one time<sup>9</sup>. In proposing this franchise number, we have made reference to the present fleet operation experience of the taxi trade and taken into account the fact that a fleet must be of certain scale for serving passengers and maintaining operation efficiency. We consider that the number of franchises should not be too many nor too few so as to maintain a healthy competition in the franchised taxi market<sup>10</sup>.

### Employer-employee relationship

9. Maintaining an employer-employee relationship between the franchisees and the drivers should provide the most effective mechanism for ensuring the drivers' service quality, enhancing the protection on drivers relating to employees' rights and attracting new blood to the trade. Nevertheless, having regard to the trade's concerns and the experience of taxi

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<sup>8</sup> The Bill provides that the total number of franchised taxis which can be used for providing franchised taxi services at any one time must not exceed 600, subject to amendment by order of the CE-in-Council. Due to operational needs for the operators to have reserve vehicles for deployment when some of the franchised taxis in the regular fleet are not available for operation, as well as the lead time for registration and deregistration of franchised taxi vehicles by the new and old operators respectively upon the expiry of the franchise period and before the commencement of the next franchise, the total number of vehicles registered as franchised taxis at any one time could be higher than 600.

<sup>9</sup> The Bill provides that CE-in-Council would specify (i) the maximum number of franchised taxis that can be used by each operator for providing franchised taxi service during the franchise period (i.e. 200); and (ii) the maximum number of franchised taxis that can be registered by each operator, which could be higher than 200 having regard to the operational need to have reserve vehicles for deployment as explained in footnote 8 above.

<sup>10</sup> A company will not be issued with more than one franchise.

trade in operating taxi fleets<sup>11</sup>, we agree that maintaining an employer-employee relationship would not be a mandatory requirement. Yet, if applicants for franchised taxis propose to maintain an employer-employee relationship with their drivers, their applications will be accorded with a higher score in the tender assessment. Moreover, the applicants' proposed measures for monitoring driver's service quality as well as reward and penalty system will be considered in the tender assessment.

#### Other details of the proposal on franchised taxis

B 10. Other details of the proposal on franchised taxis, including the permitted operating areas, vehicle types, compartment facilities, limit on vehicle age, required number of vehicles in operation and service level, mobile hailing applications, drivers' training, customer services and complaint handling as well as payment methods, etc., are set out at Annex B.

#### Fares

11. We are aware of the concerns of some LegCo Members and the taxi trade about the fare level of franchised taxis. To this end, we engaged a financial consultant in 2016 to conduct a study on the fare structure and level of franchised taxis. In the course of the study, we have carefully struck a balance between the following considerations:

- (a) ordinary taxis and franchised taxis will have distinct and different market positioning. Since the service standards of franchised taxis will be higher and their service level will be subject to more stringent requirements, the operating cost of franchised taxis will be higher. Thus, the fare level of franchised taxis should be higher than that of ordinary taxis, so as to offset the higher operating cost and provide adequate and reasonable incentives for operators and drivers to maintain quality service in a sustained manner; and
- (b) although the target clientele of franchised taxis are passengers with higher disposable income, the fares cannot be set at an excessive

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<sup>11</sup> 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. We note that in recent years some members of the taxi trade have operated taxi services in fleets with various measures introduced to monitor the drivers' service quality.

level as franchised taxis will remain a type of public transport services.

12. Having regard to the considerations mentioned in paragraph 11 above and possible operational uncertainties when launching the new service (such as passenger demands, adaptation during the initial operation of new service, and fluctuation of fuel prices), we propose that the fare level of franchised taxis should be set at **around 50% above the ordinary taxi fare**<sup>12</sup>. This is at the higher end of the recommended fare range, viz. about 35% - 50% above the ordinary taxi fare, which we informed the Panel in April 2017. We consider it appropriate to set a clear fare differential between ordinary taxis and franchised taxis to achieve a more distinctive market positioning, and also to give the operators greater financial viability. In any event, as mentioned at the Panel meeting in April 2017, we will engage a consultancy later to reaffirm the definite fare level having regard to the prevailing ordinary taxi fare. The definite fare level will then be specified in the Schedule to the Bill by way of order made by CE-in-Council after the passage of the Bill.

13. The fare structure of franchised taxis (i.e. flagfall fares, incremental fares after flagfall and other charges) and the fare adjustment mechanism will be largely the same as the existing arrangements of ordinary taxis. Details are set out at Annex C.

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#### Tender of franchise and franchise fee

14. We propose the franchises of franchised taxis to be granted by open tender. The Government welcomes any companies (including existing taxi operators) to apply for the operating rights for franchised taxis.

15. Bidders are required to submit both technical and financial proposals. The framework of tender assessment is set out in Annex D. As our objective is to provide quality franchised taxi service to the public, the weighting scores between technical proposal and financial proposal will be 80:20. The technical proposal will include the bidder's company structure, proposed vehicles to be used and compartment facilities, monitoring as well as reward and penalty mechanism, drivers' training, customer service and complaint handling system, etc. We also consider that the experience of operating ordinary taxis and/or other public transport services in Hong Kong will be beneficial for the efficient operation of franchised taxis; hence, applicants with such experience will be accorded with a higher score.

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<sup>12</sup> On the basis of existing flagfall fare of urban taxi at \$24, the flagfall fare of franchised taxi would be around \$36.

16. We are aware of the trade’s views that operators of franchised taxis should pay a franchise fee so as to maintain a fair competition in the taxi market as a whole. According to the preliminary assessment of the consultant, individual operators should be able to achieve financial viability under the fare level now proposed (i.e. about 50% above the ordinary taxi fare). In other words, the return level should provide some room for the Government to charge a franchise fee. Hence, under the trial scheme, bidders will have to propose a lump sum franchise fee to be paid to the Government upfront before commencement of the franchises. The proposed franchise fee will form the financial proposal of the tenders.

17. Moreover, bidders for franchised taxis must meet the minimum capital requirement, which is proposed to be set at \$50 million. We believe that this would be an appropriate capital level to ensure the operators’ financial capability in operating the franchised taxis, while not imposing an excessively high entry threshold. We also propose requiring operators of franchised taxis to provide a guarantee of \$5 million to the Government before the franchise period commences. The Government may deduct from the guarantee any penalty overdue by the franchisees. Upon completion of the franchises, the guarantee will be discharged after deducting any overdue penalty. The precise minimum capital requirement and guarantee requirement will be set when the Government formally invites tender for operating franchised taxis.

### Roles and positioning

18. It must be emphasised that the objective of introducing franchised taxis is not to replace ordinary taxis, but as enhanced complement to services provided by ordinary taxis. Ordinary taxis charge fares according to meters at a level more affordable to the public and can be hired as a whole in accordance with the law with fares to be agreed between passengers and service-providers. They will continue to constitute the vast majority of taxi services. The Government will continue to strive to enhance the existing ordinary taxi quality and operating environment by implementing various measures through the “Committee on Taxi Service Quality”, which include updating the taxi service standards and guidelines, enhancing the training courses on in-service taxi drivers’ service quality, and reviewing the existing sanctions for various taxi malpractices, etc.

19. Franchised taxis will be positioned as an additional choice other than ordinary taxis to meet the community’s demand for a new type of personalised and point-to-point public transport service of higher quality and



E higher fares as well as with online hailing features. The supply of franchised taxis will be limited to 600 during the trial scheme. A comparison of the features of ordinary taxis and franchised taxis is set out at Annex E for reference.

## **OTHER ISSUES**

F 20. The Bill confers on CE-in-Council the powers to make regulations for operational matters relating to franchised taxis (including the general obligations of the franchisees, general conduct of franchised taxi drivers and passengers, etc.), to make contravention of any of the regulations an offence and to specify the maximum penalty associated with such offence; and to make an order to specify the fare level. The framework of the intended Franchised Taxi Services Regulation (the Regulation) is set out at Annex F. Upon passage of the Bill by the LegCo, the Government will submit the draft Regulation, together with the draft order to specify the fare level (see paragraphs 11 – 12 above for details), to CE-in-Council for approval. Both the draft Regulation and proposed fare table will then be tabled at the LegCo at the same sitting upon CE-in-Council’s approval.

21. As mentioned above, the Regulation will set out the statutory requirements and offences relating to the provision and use of franchised taxi service. In coming up with the proposed offences and penalty level on franchised taxi drivers, reference will be made to similar offences and penalty levels that currently apply to ordinary taxi drivers.

22. The Government has proposed 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. two-tier penalty system) with a view to strengthening the deterrent effect and enhancing ordinary taxi service quality. Preparation for the relevant legislative exercise is underway and the preliminary target is to introduce such legislative proposals into the LegCo in 2019.

23. Given that the proposals above seek to enhance the service quality of taxis, we consider that, when approved, the same should apply to franchised taxis. To achieve so, the relevant legislative proposals will build in the applicability of the proposed TDOP System and the two-tier penalty system to franchised taxis. If the legislation for the TDOP System and two-tier penalty system for ordinary taxis is enacted earlier than the Bill, necessary consequential amendments will be made to the provision in the Bill to

facilitate the introduction of the TDOP System and two-tier penalty system in relation to franchised taxis. Otherwise, if the Bill is enacted earlier, we will consider introducing committee stage amendments to the legislative proposals for TDOP System and two-tier penalty system.

## **OTHER OPTIONS**

24. We have explored the option to impose new conditions directly related to service quality on existing ordinary taxi licences. As explained in paragraph 3 above, however, the Government considers it unviable since such approach involves much legal complication owing to the permanent nature of existing taxi licences. Given the limitations of the existing taxi operation model in ensuring the overall long-term quality of taxi services, it will be difficult to meet the community's demand for personalised and point-to-point public transport services of higher quality without introducing a new regulatory regime. Hence, we recommend taking forward the franchised taxi proposal through introducing a new piece of legislation to provide a legal framework for the implementation of a new regulatory regime for franchised taxis.

25. We have also studied whether to allow other new personalised and point-to-point online hailing services to operate in Hong Kong. Having regard to the respective role of ordinary taxis, hire cars and the proposed franchised taxis, as well as the delicate trade balance in the public transport sector and taxi trade's concern about the impact of introducing other new personalised and point-to-point services on existing taxi industry, we would not underestimate the possible disruptive effect to the public transport system at large if we go down the path of allowing new form(s) of online hailing services to operate on the road. Moreover, as compared with the existing illegal online hailing hire car services, the franchised taxis proposed by the Government will be one form of public transport service. The number, service, fares as well as drivers' quality of franchised taxis are regulated by the Government. This will provide better protection, more assured service quality and more transparency on the fares to the passengers. The impact on the road traffic is also easier to anticipate. From transport policy perspective, franchised taxis can provide an additional choice for passengers and facilitate the planning and development of the public transport system in an orderly manner. Hence, we consider that introducing franchised taxis would be a more practical option that can meet the new demand in the community for personalised and point-to-point public transport services while taking into account the delicate trade balance of the public transport. Depending on the

outcome of the scrutiny of the Franchised Taxis Services Bill by the LegCo, and if the new franchised taxi service fails to serve its purpose, consideration may have to be given to whether to explore introducing other new services (including new online hailing services).

## **THE BILL**

26. The main provisions of the Bill are as follows –

- (a) **Clause 1** sets out the short title and provides for commencement.
- (b) **Clause 2** defines the expressions used in the Bill.
- (c) **Clause 3** prohibits a franchisee from using franchised taxis for carriage of passengers when the franchise is not in force and any person from using franchised taxis to engage in any activity that is not connected with the provision of a franchised taxi service.
- (d) **Clause 4** confers the power on CE-in-Council to grant the franchises for franchised taxi service and sets out some requirements in relation to the grant of franchises (including the validity period, maximum number of franchised taxis that can be registered under a franchisee, maximum number of franchised taxis that can be used by a franchisee for providing a franchised taxi service at any one time, franchise fee to be paid by a franchisee, etc.). A franchise is also subject to any term imposed by the CE-in-Council on granting the franchise.
- (e) **Clause 5** confers on CE-in-Council the power to amend a franchise with the written consent of the franchisee.
- (f) **Clause 6** stipulates that the validity period of a franchise must not exceed five years and confers the power on CE-in-Council to extend the validity period once, for a period not exceeding one year if CE-in-Council is satisfied that the franchisee is capable of maintaining a proper and efficient franchised taxi service and considers it appropriate having regard to the need for continued provision of franchised taxi services.
- (g) **Clause 7** requires a franchisee to pay to the Commissioner for Transport (C for T) the franchise fee within 30 days after the

grant of the franchise by CE-in-Council or otherwise, the franchise could be revoked.

- (h) **Clause 8** requires a franchisee to provide a guarantee to C for T and the guarantee so provided is to be discharged upon the expiry or revocation of the franchise. It also stipulates that the franchisee must make up the shortfall of the guarantee after it is being deducted by virtue of clause 17 below.
- (i) **Clause 9** prohibits a franchisee from assigning or otherwise disposing of its franchise without the approval of CE-in-Council.
- (j) **Clause 10** stipulates that a franchisee should maintain a proper and efficient franchised taxi service to the satisfaction of C for T.
- (k) **Clause 11** provides for a schedule of fares for franchised taxi services, and stipulates that light articles that could be accommodated inside the compartment could be carried in franchised taxis free of charge. It also empowers CE-in-Council to amend the scale of fares of franchised taxi services specified in the Schedule by order.
- (l) **Clause 12** specifies the total number of franchised taxis that can be used for providing franchised taxi services at any one time must not exceed 600. It also empowers CE-in-Council to amend such number by order.
- (m) **Clause 13** confers on CE-in-Council, the Secretary for Transport and Housing (STH) or C for T the power to issue any directions or requirements in writing to a franchisee in relation to any matter concerning its franchise or franchised taxi service after consultation with the franchisee.
- (n) **Clause 14** confers on C for T the power to inspect a franchised taxi, and to require a franchisee to carry out maintenance or other work in connection with a franchised taxi.
- (o) **Clause 15** confers on C for T the power to require a franchisee to keep, and provide C for T with specified documents. It also empowers C for T to inspect and make copies of the documents.

- (p) **Clause 16** confers on C for T the power to impose financial penalties on a franchisee if it fails to comply with the Ordinance, any directions or requirements under the Ordinance or provides a franchised taxi service otherwise than in accordance with its franchise. A heavier financial penalty would be imposed for repeated non-compliance of the same nature during the franchise period.
- (q) **Clause 17** confers on C for T the power to deduct the financial penalty overdue by the franchisee from its guarantee.
- (r) **Clause 18** provides that CE-in-Council may express the intention to suspend or revoke a franchise if it is considered that a franchisee, without reasonable cause, has failed, or is likely to fail, to maintain a proper and efficient franchised taxi service.
- (s) **Clause 19** confers on CE-in-Council the power to suspend the franchise of the franchisee for a period not exceeding six months, when CE-in-Council has expressed the intention to suspend the franchise, and the franchisee does not show cause or the CE-in-Council is of the opinion that the franchisee has not shown reasonable cause on why its franchise should not be suspended.
- (t) **Clause 20** confers on CE-in-Council the power to revoke the franchise of a franchisee, when CE-in-Council has expressed the intention to revoke the franchise, and the franchisee does not show cause or the CE-in-Council is of the opinion that the franchisee has not shown reasonable cause why its franchise should not be revoked.
- (u) **Clause 21** provides that a franchisee whose franchise is suspended or revoked is not entitled to any compensation.
- (v) **Clause 22** provides that a franchisee may appeal to CE-in-Council against certain decisions, directions, or requirements made or given by STH, C for T, etc., and the decision of CE-in-Council on the appeal is final.
- (w) **Clause 23** confers on CE-in-Council the power to make regulations in relation to franchised taxi services, make

contravention of any of the regulations an offence and specify the maximum penalty associated with such offence. It also confers on the STH the power to amend such regulations.

- (x) **Part 6** contains related and consequential amendments to other Ordinances and subsidiary legislation.
- (y) **The Schedule** sets out the fare structure of franchised taxi services.

## **LEGISLATIVE TIMETABLE**

27. The legislative timetable is as follows –

Publication in the Gazette	26 April 2019
First Reading and commencement of Second Reading debate	8 May 2019
Resumption of Second Reading debate, committee stage and Third Reading	To be notified

## **IMPLICATIONS OF THE PROPOSAL**

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28. The proposal has financial, civil service, economic, competition and environmental implications as set out at Annex G. It is conducive to sustainable development as set out in the economic and environmental implications at Annex G, and has no productivity, family and gender implications. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The Bill does not contain any express binding effect provision.

## **PUBLIC CONSULTATION**

29. The Government has all along been communicating with taxi associations, unions as well as other stakeholders through various channels to canvass views from different parties. 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 expect the new

service to be launched as soon as possible.

30. Some members of the taxi trade are worried about the impact of the franchised taxis on existing taxi trade and have proposed that even if the franchised taxis are to be introduced, the Government should make use of some ordinary taxi licences to operate franchised taxi instead of tendering new franchises. We do not agree with this request since it would be equivalent to a closed market, which is contrary to the principle of open competition. As mentioned in paragraph 15 above, 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 the technical proposal. Existing taxi operators are encouraged to participate in a franchised taxi market.

31. Some people are concerned that franchised taxis, introduced through a franchise model might be monopolised by large-scale companies. On this, we must emphasise that the objective of introducing franchised taxis through a franchise model is to maintain the franchised taxi service quality through centralised management. Meanwhile, the operators' fleet must be of appropriate scale to enable them to maintain operation efficiency. We also propose to grant three franchises which should be able to maintain healthy competition in the franchised taxi market.

32. We first briefed the Panel on the study of the feasibility of introducing franchised taxis on 6 November 2015. Subsequently, we presented the preliminary proposal of franchised taxis to the Panel on 16 June 2016, and consulted the Panel on the latest proposal on 21 April 2017. At the Panel meeting on 21 April 2017, some LegCo Members put forward a number of views on enhancing personalised and point-to-point services and passed five non-binding motions (see Annex H). Four motions supported the introduction of franchised taxis and put forward different views on the implementation details. For instance, some LegCo 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 service 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

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converting their licences into an operating right for franchised taxis. Only one of the motions requested the shelving of the proposal (seven affirmative, five negative and one abstention vote(s)).

33. In the light of the results of consultation with the Panel mentioned above and the generally supportive views from the community at large, we concluded in the PTSS Final Report released in June 2017 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. Depending on the outcome of the scrutiny of the legislation on franchised taxis by the LegCo, consideration may have to be given to the case for exploring other new services (such as new online hailing services).

## **PUBLICITY**

34. We will issue a press release on the introduction of the Bill and a spokesperson will be available for answering media and public enquiries.

## **ENQUIRIES**

35. Any enquiries on this brief can be addressed to Miss Ann Chan, Principal Assistant Secretary for Transport and Housing, at 3509 8214.

**Transport and Housing Bureau**  
**17 April 2019**



**Franchised Taxi Services Bill**

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## A BILL

### To

Introduce the services of franchised taxis through empowering the granting of franchises and establishing a regulatory system; and to provide for incidental and related matters.

Enacted by the Legislative Council.

### Part 1

#### Preliminary

##### 1. Short title and commencement

- (1) This Ordinance may be cited as the Franchised Taxi Services Ordinance.
- (2) This Ordinance comes into operation on a day to be appointed by the Secretary for Transport and Housing by notice published in the Gazette.

##### 2. Interpretation

In this Ordinance—

*available guarantee* (可用擔保), in relation to a franchisee, means the part of a guarantee provided by the franchisee under section 8(1) or (2) that has not been enforced under section 17;

*Commissioner* (署長) means the Commissioner for Transport;

*franchise* (專營權)—see section 4(1);

*franchise fee* (專營費)—see section 4(3)(d);

*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);

*franchised taxi service* (專營的士服務) means a service provided under a franchise;

*franchisee* (專營公司) means a company to which a franchise is granted;

*order* (命令) means an order published in the Gazette;

*Secretary* (局長) means the Secretary for Transport and Housing;

*validity period* (有效期)—see section 4(3)(a).

### 3. Restrictions on use of franchised taxis

- (1) A franchisee commits an offence if it uses, or causes or permits the use of, a franchised taxi to provide a service for the carriage of passengers when its franchise is not in force.
- (2) Except with the written approval of the Commissioner, a person commits an offence if the person uses, or causes or permits the use of, a franchised taxi to carry out other activities not connected with the provision of a franchised taxi service.
- (3) For subsections (1) and (2), it is immaterial whether the service concerned is provided, or the activities concerned are carried out, for reward.
- (4) A person who commits an offence against subsection (1) or (2) is liable on conviction to a fine at level 6.

## Part 2

### Franchises

#### 4. Grant of franchises

- (1) The Chief Executive in Council may grant to a registered company a right (*franchise*) to—
  - (a) provide, according to the individual itineraries of the members of the public, a service (including any ancillary service) for the carriage of passengers by using franchised taxis; and
  - (b) charge the fares for the service according to the Schedule.
- (2) A franchise may be granted following a public tender or in another way that the Chief Executive in Council considers appropriate.
- (3) The Chief Executive in Council must, on granting a franchise to a franchisee, specify—
  - (a) the period for which the franchise is valid (*validity period*);
  - (b) the maximum number of franchised taxis that the franchisee may register for the franchise;
  - (c) the maximum number of franchised taxis that may be used, at any one time, to provide a franchised taxi service under the franchise; and
  - (d) the fee that the franchisee undertakes to pay for the grant of the franchise (*franchise fee*).
- (4) A franchise is subject to any terms imposed by the Chief Executive in Council on granting the franchise.
- (5) In this section—

*registered company* (註冊公司) means—

- (a) a company registered under the Companies Ordinance (Cap. 622); or
- (b) a company registered under Part IX of the Companies Ordinance (Cap. 32) as in force from time to time before 3 March 2014.

#### 5. Amendment of franchises

Without affecting any other provision of this Ordinance, the Chief Executive in Council may, with the written consent of a franchisee, amend its franchise.

#### 6. Validity period

- (1) The validity period of a franchise must not exceed 5 years.
- (2) However, if—
  - (a) the Chief Executive in Council is satisfied that a franchisee is capable of maintaining a proper and efficient franchised taxi service; and
  - (b) having regard to the need of providing continuous franchised taxi services to the public, the Chief Executive in Council considers it appropriate to extend the validity period,
 the Chief Executive in Council may, on one occasion only and with the written consent of the franchisee, extend the validity period for a period not exceeding one year.
- (3) Before the Chief Executive in Council extends the validity period of the franchise, the Chief Executive in Council must, by written notice given to the franchisee not less than 6 months before the expiry of the validity period, notify the franchisee of the extension and its length.

- (4) If the Chief Executive in Council extends the validity period of the franchise, the Chief Executive in Council may specify anew the maximum number referred to in section 4(3)(b) or (c) in relation to the franchise.

#### 7. Franchise fees

- (1) A franchisee must pay the franchise fee concerned to the Commissioner within 30 days after the date on which its franchise is granted.
- (2) If the Chief Executive in Council is satisfied that a franchisee, without reasonable cause, fails to comply with subsection (1), the Chief Executive in Council may revoke the franchisee's franchise.
- (3) The revocation takes effect on the date specified by the Chief Executive in Council.
- (4) A franchise revoked under subsection (2) is regarded as being revoked under section 20.

#### 8. Guarantee

- (1) After a franchisee is granted a franchise, it must provide a guarantee to the Commissioner before the deadline specified by the Commissioner.
- (2) If the Commissioner enforces a guarantee in relation to a franchisee under section 17, the franchisee must, within 30 days after the date of enforcement, provide a further guarantee so that the guarantee provided to the Commissioner in respect of its franchise is maintained at the same level as the guarantee provided under subsection (1).
- (3) The guarantee under subsection (1) or (2) must be provided in the way specified by the Commissioner.
- (4) The Commissioner must discharge a franchisee's available guarantee as soon as reasonably practicable after—



- (a) the expiry of its franchise; or
- (b) if its franchise is revoked under section 20—the revocation.

**9. Restrictions on assignment of franchises etc.**

A franchisee must not, without the approval of the Chief Executive in Council—

- (a) assign its franchise or any part of its franchise; or
  - (b) otherwise dispose of its franchise or any part of its franchise.
- 

**Part 3**

**Regulation of Franchised Taxi Services**

**10. Maintaining proper and efficient services**

- (1) A franchisee must, during any period for which the franchise is valid, maintain a proper and efficient franchised taxi service to the satisfaction of the Commissioner.
- (2) Without limiting the matters to which the Chief Executive in Council or the Commissioner may have regard, whenever the Chief Executive in Council or the Commissioner is determining, for the purposes of this Ordinance, whether a franchisee maintains, or is capable of maintaining, a proper and efficient franchised taxi service, the Chief Executive in Council or the Commissioner may have regard to whether the franchisee maintains a franchised taxi service in conformity with this Ordinance (including a direction or requirement given under this Ordinance) and its franchise.

**11. Fares**

- (1) The Schedule sets out the scale of fares for franchised taxi services.
- (2) Regulation 47(3) and (4) of the Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D) (*Regulations*) applies in relation to a franchised taxi in the same way as it applies in relation to a taxi.
- (3) For subsection (2)—
  - (a) the reference to “personal hand baggage” in regulation 47(3) of the Regulations is to be construed as a reference to “articles”;

- (b) the reference to “taxi” in the English text of regulation 47(3) of the Regulations is to be construed as a reference to “franchised taxi”;
- (c) the reference to “taxi” in regulation 47(4) of the Regulations is to be construed as a reference to “franchised taxi”;
- (d) the reference to “baggage” in regulation 47(4) of the Regulations is to be construed as a reference to “articles”; and
- (e) the reference to “Schedule 5” in regulation 47(4) of the Regulations is to be construed as a reference to the Schedule.

- (4) The Chief Executive in Council may by order amend the Schedule.

#### 12. Maximum number of franchised taxis

- (1) The total number of franchised taxis that may be used, at any one time, by all franchisees to provide franchised taxi services under valid franchises must not exceed 600.
- (2) The Chief Executive in Council may by order amend the number specified in subsection (1).

#### 13. Franchisees may be given directions or requirements

- (1) The Chief Executive in Council, the Secretary or the Commissioner may, after consulting a franchisee, give the franchisee a written direction or requirement in respect of a matter that relates to its franchise or the franchised taxi service provided by it.
- (2) A direction or requirement referred to in subsection (1)—
  - (a) may be given either generally or in a particular case; and

- (b) must not be inconsistent with this Ordinance or the relevant franchise.

- (3) This section does not affect section 14 or 15.

#### 14. Inspection and maintenance of franchised taxis

- (1) The Commissioner, or a person authorized by the Commissioner in writing, may—

- (a) at any reasonable time inspect any franchised taxi of a franchisee; and
- (b) require the franchisee to carry out specified maintenance or other work for a specified franchised taxi within a specified time.

- (2) The franchisee is to bear—

- (a) all reasonable costs incurred in any inspection made under subsection (1)(a); and
- (b) all costs incurred in any work carried out under subsection (1)(b).

- (3) In this section—

*specified* (指明) means specified in writing by the Commissioner or the person authorized by the Commissioner, as may be appropriate.

#### 15. Keeping documents etc.

- (1) The Commissioner may require a franchisee to—

- (a) keep to the satisfaction of the Commissioner any record, receipt, account or other document that relates to the franchised taxi service provided by the franchisee (*relevant document*); and
- (b) provide the Commissioner, or a person authorized by the Commissioner in writing, with a copy of a specified

relevant document at a specified time and in a specified way.

- (2) The Commissioner, or a person authorized by the Commissioner in writing, may—
  - (a) at any reasonable time inspect any relevant document; and
  - (b) make and take away copies of any relevant document.
- (3) In this section—
 

*specified* (指明) means specified in writing by the Commissioner or the person authorized by the Commissioner, as may be appropriate.

#### 16. Financial penalty

- (1) If—
  - (a) there is any non-compliance by a franchisee;
  - (b) the Commissioner is satisfied that the franchisee has had a reasonable opportunity to comply with this Ordinance (including a direction or requirement given under it) and the franchisee;
  - (c) the Commissioner has notified the franchisee in writing of the non-compliance and its details; and
  - (d) the franchisee has been given a reasonable opportunity to make a representation in writing to show cause why a financial penalty should not be imposed under this section in respect of the non-compliance (*written representation*), and—
    - (i) the franchisee has not made a written representation; or
    - (ii) the franchisee has made a written representation and the Commissioner, having considered the

representation, is of the opinion that the franchisee has not shown reasonable cause why the penalty should not be imposed,

the Commissioner may, by written notice to the franchisee, impose a financial penalty on the franchisee.

- (2) The written notice must specify—
  - (a) the amount of the financial penalty; and
  - (b) the deadline for payment.
- (3) The amount specified under subsection (2)(a) must not exceed—
  - (a) for the first occasion on which a financial penalty is imposed in respect of a franchise and a non-compliance of a certain nature—\$10,000;
  - (b) for the second occasion on which a financial penalty is imposed in respect of the franchise and a non-compliance of the same nature—\$20,000; or
  - (c) for the third or subsequent occasion on which a financial penalty is imposed in respect of the franchise and a non-compliance of the same nature—\$50,000.
- (4) For subsection (3), whether two non-compliances are of the same nature is to be determined by the Commissioner.
- (5) The deadline specified under subsection (2)(b) must not be earlier than the relevant deadline for appealing under section 22(2).
- (6) If the franchisee appeals under section 22(2) against the Commissioner's decision to impose a financial penalty and the appeal is dismissed or withdrawn, the franchisee must, within 30 days after the date of dismissal or withdrawal, pay the penalty.
- (7) In this section—

*non-compliance* (違規), in relation to a franchisee, means—

- (a) its failure to comply with this Ordinance (including a direction or requirement given under it); or
- (b) provision of a franchised taxi service by it otherwise than in conformity with its franchise.

#### 17. Recovery of unpaid financial penalty

If a franchisee on which a financial penalty is imposed under section 16(1) fails to pay the penalty in full before the deadline referred to in section 16(2)(b) or (6), as may be appropriate—

- (a) if the franchisee has an available guarantee that is not less than the amount of the penalty—the Commissioner may enforce the guarantee to the extent of an amount equivalent to the penalty so that the franchisee's liability to pay the penalty is fully discharged;
- (b) if the franchisee has an available guarantee that is less than the amount of the penalty—
  - (i) the Commissioner may enforce the entire guarantee so that the franchisee's liability to pay the penalty is discharged to the extent of the amount equivalent to the guarantee; and
  - (ii) the remaining sum of the penalty that is not paid under subparagraph (i) is recoverable by the Government from the franchisee as a civil debt; or
- (c) if the franchisee has no available guarantee—the penalty is recoverable by the Government from the franchisee as a civil debt.

## Part 4

### Suspension or Revocation of Franchises

#### 18. Application of Part 4

This Part applies if the Chief Executive in Council considers that a franchisee, without reasonable cause, has failed, or is likely to fail, to maintain a proper and efficient franchised taxi service.

#### 19. Suspension of franchises

- (1) The Chief Executive in Council may direct the Commissioner to issue a notice to the franchisee expressing the intention to suspend its franchise.
- (2) The notice must—
  - (a) state the reason for the intention to suspend the franchise; and
  - (b) invite the franchisee to make a representation in writing, within 28 days after the date on which the notice is served on the franchisee, to show cause why the franchise should not be suspended (*written representation*).
- (3) If, after the expiry of the period referred to in subsection (2)(b)—
  - (a) the franchisee has not made a written representation; or
  - (b) the franchisee has made a written representation and the Chief Executive in Council, having considered the representation, is of the opinion that the franchisee has not shown reasonable cause why the franchise should not be suspended,

the Chief Executive in Council may suspend the franchise.

- (4) The suspension takes effect on the date and for a period not exceeding 6 months specified by the Chief Executive in Council.
- (5) If a franchise is suspended, the Chief Executive in Council must—
  - (a) serve a notice of the suspension on the franchisee; and
  - (b) as soon as reasonably practicable after serving the notice, publish it in the Gazette.
- (6) A suspension of a franchise may cover all or any number of the franchised taxis of the franchisee. The number of franchised taxis covered by the suspension may be specified by the Chief Executive in Council in the notice served under subsection (5)(a).

## 20. Revocation of franchises

- (1) The Chief Executive in Council may direct the Commissioner to issue a notice to the franchisee expressing the intention to revoke its franchise.
- (2) The notice must—
  - (a) state the reason for the intention to revoke the franchise; and
  - (b) invite the franchisee to make a representation in writing, within 28 days after the date on which the notice is served on the franchisee, to show cause why the franchise should not be revoked (*written representation*).
- (3) If, after the expiry of the period referred to in subsection (2)(b)—
  - (a) the franchisee has not made a written representation; or
  - (b) the franchisee has made a written representation and the Chief Executive in Council, having considered the

representation, is of the opinion that the franchisee has not shown reasonable cause why the franchise should not be revoked,

the Chief Executive in Council may revoke the franchise.

- (4) The revocation takes effect on the date specified by the Chief Executive in Council.
- (5) If a franchise is revoked, the Chief Executive in Council must—
  - (a) serve a notice of the revocation on the franchisee; and
  - (b) as soon as reasonably practicable after serving the notice, publish it in the Gazette.

## 21. No compensation for suspension or revocation

A franchisee is not entitled to compensation in respect of—

- (a) a suspension of franchise under section 19; or
- (b) a revocation of franchise under section 20.

## Part 5

### Miscellaneous

#### 22. Appeal

- (1) This section applies if a franchisee is aggrieved by a decision, direction or requirement made or given under this Ordinance or the franchise by—
  - (a) the Secretary (including a person authorized by the Secretary); or
  - (b) the Commissioner (including a person authorized by the Commissioner).
- (2) The franchisee may, within 28 days after the date on which the decision, direction or requirement is made or given, appeal by way of petition to the Chief Executive in Council.
- (3) The decision of the Chief Executive in Council on the appeal is final.
- (4) Unless the Chief Executive in Council otherwise directs, if an appeal is made under subsection (2), the relevant decision, direction or requirement does not take effect until the appeal is determined by the Chief Executive in Council or withdrawn by the franchisee.

#### 23. Regulations

- (1) The Chief Executive in Council may make a regulation for all or any of the following matters—
  - (a) designating and regulating franchised taxi stands;
  - (b) prescribing the general duties of a franchisee;
  - (c) prescribing the general duties of the driver of a franchised taxi;

- (d) prescribing the general duties of passengers of a franchised taxi;
  - (e) regulating the carriage of articles or animals in a franchised taxi;
  - (f) regulating the handling of property left by a passenger in a franchised taxi;
  - (g) specifying offences for the purposes of section 69 of the Road Traffic Ordinance (Cap. 374) in respect of franchised taxis;
  - (h) generally, the better carrying out of the purposes of this Ordinance.
- (2) The regulation may provide that the contravention of a specified provision constitutes an offence punishable by a fine not exceeding level 3 and imprisonment not exceeding 6 months.
  - (3) Without affecting section 28(1)(c) of the Interpretation and General Clauses Ordinance (Cap. 1), the Secretary may by regulation amend the regulation made under subsection (1) (including any provisions referred to in subsection (2)).

**Part 6****Related and Consequential Amendments****Division 1—Enactments Amended****24. Enactments amended**

The enactments specified in Divisions 2 to 33 are amended as set out in those Divisions.

**Division 2—Amendments to Specification of Public Offices Notice (Cap. 1 sub. leg. C)****25. Schedule amended (specification of public offices)**

- (1) The Schedule, after the entry relating to the Commissioner for Transport specified for the purposes of the Tsing Sha Control Area (Tolls, Fees and Charges) Regulation (Cap. 594 sub. leg. B)—

**Add**

“Commissioner for Transport	Franchised Taxi Services Ordinance (    of 2019).”.
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- (2) The Schedule, after the entry relating to the Secretary for Transport and Housing specified for the purposes of the Roads (Works, Use and Compensation) Ordinance (Cap. 370)—

**Add**

“Secretary for Transport and Housing	Franchised Taxi Services Ordinance (    of 2019).”.
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**Division 3—Amendments to Telecommunications (Telecommunications Apparatus) (Exemption from Licensing) Order (Cap. 106 sub. leg. Z)****26. Section 2 amended (interpretation)**

Section 2—

**Add in alphabetical order**

“*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);”.

**27. Section 4 amended (exemption for radiocommunications apparatus relating to taxis)**

- (1) Section 4, heading, after “taxis”—

**Add**

“or franchised taxis”.

- (2) Section 4(1), after “taxis”—

**Add**

“or franchised taxis”.

**28. Section 5 amended (exemption for other radiocommunications apparatus)**

Section 5(1)(a)(iv), after “taxis”—

**Add**

“or franchised taxis”.

**Division 4—Amendments to Dutiable Commodities  
Ordinance (Cap. 109)**

**29. Section 15 amended (seizure of things used for commission of offences)**

Section 15—

**Repeal subsection (2)**

**Substitute**

“(2) In subsection (1)—

*public transport* (公共交通工具), in relation to a vehicle, means a taxi, franchised taxi, or public bus, as defined by section 2 of the Road Traffic Ordinance (Cap. 374).”.

**30. Section 19 amended (goods embarked for export not to be relanded)**

Section 19—

**Repeal subsection (2)**

**Substitute**

“(2) In subsection (1)—

*public transport* (公共交通工具), in relation to a vehicle, means a taxi, franchised taxi, public light bus, or public bus, as defined by section 2 of the Road Traffic Ordinance (Cap. 374).”.

**Division 5—Amendment to Inland Revenue Rules (Cap. 112  
sub. leg. A)**

**31. Rule 2 amended (rates of depreciation)**

Rule 2, Table, First Part, item 15—

**Repeal**

“Taxi meters”

**Substitute**

“Taximeters, or franchised taxi meters, as defined by section 2 of the Road Traffic Ordinance (Cap. 374)”.

**Division 6—Amendment to Fixed Penalty (Criminal  
Proceedings) Ordinance (Cap. 240)**

**32. Schedule amended (offence)**

(1) The Schedule, item 20, after “taxi stand”—

**Add**

“franchised taxi stand”.

(2) The Schedule, item 50, after “taxi”—

**Add**

“or franchised taxi”.

**Division 7—Amendments to Fixed Penalty (Criminal  
Proceedings) Regulations (Cap. 240 sub. leg. A)**

**33. Schedule amended**

(1) The Schedule, Form 1, list of offences and fixed penalty, code number 20, after “的士站”—

**Add**

“、專營的士站”.

(2) The Schedule, Form 1, list of offences and fixed penalty, code number 20, after “taxi stand”—

**Add**

“franchised taxi stand”.



- (3) The Schedule, Form 1, list of offences and fixed penalty, code number 50, after “的士”—

**Add**

“或專營的士”.

- (4) The Schedule, Form 1, list of offences and fixed penalty, code number 50, after “taxi”—

**Add**

“or franchised taxi”.

**Division 8—Amendments to Frontier Closed Area  
(Permission to Enter) Notice (Cap. 245 sub. leg. H)**

**34. Section 1A amended (interpretation)**

- (1) Section 1A, English text, definition of *specified route*—

**Repeal the full stop**

**Substitute a semicolon.**

- (2) Section 1A—

**Add in alphabetical order**

“*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);

*taxi* (的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374).”.

**35. Schedule amended**

- (1) The Schedule, Part 1, item 2C, after “taxis”—

**Add**

“, franchised taxis”.

- (2) The Schedule, Part 1, item 2D, after “taxis”—

**Add**

“and franchised taxis,”.

**Division 9—Amendments to Shenzhen Bay Port Hong Kong  
Port Area (Permission to Enter) Notice (Cap. 245 sub. leg.  
K)**

**36. Section 2 amended (interpretation)**

- (1) Section 2, English text, definition of *specified route*—

**Repeal the full stop**

**Substitute a semicolon.**

- (2) Section 2—

**Add in alphabetical order**

“*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);

*taxi* (的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374).”.

**37. Schedule amended**

- (1) The Schedule, item 2, after “taxis,”—

**Add**

“and franchised taxis,”.

- (2) The Schedule, item 5, after “taxis”—

**Add**

“, franchised taxis”.

**Division 10—Amendment to Dangerous Goods (General)  
Regulations (Cap. 295 sub. leg. B)**

**38. Regulation 7 amended (explosives not permitted in public vehicles)**

Regulation 7, after “taxi”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxi (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**Division 11—Amendments to Air Pollution Control (Vehicle Design Standards) (Emission) Regulations (Cap. 311 sub. leg. J)**

**39. Regulation 2 amended (interpretation)**

Regulation 2—

**Add in alphabetical order**

“*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);”.

**40. Regulation 7F amended (vehicle design standards for private cars and taxis registered on or after 1 July 2017)**

(1) Regulation 7F, heading—

**Repeal**

“and taxis”

**Substitute**

“, taxis and franchised taxis”.

(2) Regulation 7F(3) and (5)—

**Repeal**

“or taxi” (wherever appearing)

**Substitute**

“, taxi or franchised taxi”.

(3) Regulation 7F(8), (10), (12) and (14), after “taxi” (wherever appearing)—

**Add**

“or franchised taxi”.

**41. Regulation 10 amended (requirements as to engine and fuel)**

(1) Regulation 10(1), after “taxi”—

**Add**

“, a franchised taxi”.

(2) Regulation 10(3), after “taxi” (wherever appearing)—

**Add**

“or franchised taxi”.

**Division 12—Amendments to Motor Vehicles (First Registration Tax) Ordinance (Cap. 330)**

**42. Section 2 amended (interpretation)**

(1) Section 2(1), definition of *private car*—

**Repeal**

“or taxi”

**Substitute**

“, taxi or franchised taxi”.

(2) Section 2(1)—

**Repeal the definition of *taxi***

**Substitute**

“*taxi* (的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);”.

- (3) Section 2(1)—

**Repeal the definition of *taximeter*.**

- (4) Section 2(1)—

**Add in alphabetical order**

“*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);”.

**43. Schedule amended (classes of motor vehicles and rate of tax)**

The Schedule, after item 2—

**Add**

“2A. Franchised taxis..... 3.7”.

**Division 13—Amendment to Waste Disposal Ordinance  
(Cap. 354)**

**44. Section 16A amended (prohibition of unlawful depositing of waste)**

Section 16A(6), after “taxi”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxi (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**Division 14—Amendments to Road Tunnels (Government)  
Regulations (Cap. 368 sub. leg. A)**

**45. Regulation 2 amended (interpretation)**

- (1) Regulation 2(1), definition of *private car*—

**Repeal**

“or taxi”

**Substitute**

“, taxi or franchised taxi”.

- (2) Regulation 2(1)—

**Add in alphabetical order**

“*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);”.

**46. Schedule 2 amended (tolls and fees)**

- (1) Schedule 2, Part 2, item 2, after “Taxis”—

**Add**

“, franchised taxis”.

- (2) Schedule 2, Part 3, item 2, after “Taxis”—

**Add**

“or franchised taxis”.

- (3) Schedule 2, Part 3, item 3, before “and”—

**Add**

“, franchised taxis other than those specified in item 2”.

- (4) Schedule 2, Part 3A, item 2, after “taxis”—

**Add**

“, franchised taxis”.

- (5) Schedule 2, Part 4, section 1, definition of *Type A vehicle*, after “taxi,”—

**Add**

“franchised taxi.”

**Division 15—Amendments to Smoking (Public Health)  
Ordinance (Cap. 371)**

**47. Section 2 amended (interpretation)**

Section 2—

**Repeal the definition of *public transport carrier***

**Substitute**

“*public transport carrier* (公共交通工具) means a carrier mentioned in Schedule 1;”.

**48. Schedule 1 amended (public transport carriers where smoking is prohibited)**

Schedule 1, after item 4—

**Add**

“4A. A franchised taxi within the meaning of the Road Traffic Ordinance (Cap. 374).”.

**Division 16—Amendments to Road Traffic Ordinance (Cap. 374)**

**49. Section 2 amended (interpretation)**

- (1) Section 2, definition of *light bus*—

**Repeal**

“or taxi”

**Substitute**

“, taxi or franchised taxi”.

- (2) Section 2, definition of *private car*—

**Repeal**

“or taxi”

**Substitute**

“, taxi or franchised taxi”.

- (3) Section 2, definition of *public service vehicle*—

**Repeal**

“or taxi”

**Substitute**

“, taxi or franchised taxi”.

- (4) Section 2—

**Add in alphabetical order**

“*franchised taxi* (專營的士) means a motor vehicle registered as a franchised taxi under this Ordinance;

*franchised taxi company* (專營的士公司) means a franchisee as defined by section 2 of the Franchised Taxi Services Ordinance ( of 2019);

*franchised taxi meter* (專營的士計程錶) means an appliance approved by the Commissioner—

- (a) for measuring the time or distance, or both, for which a franchised taxi is used; or
- (b) for recording the fare by time or distance, or both;”.

**50. Section 9 amended (regulation of construction and maintenance of vehicles)**

Section 9(1)(i), after “taximeters”—

**Add**

“and franchised taxi meters”.

**51. Section 23 amended (power to regulate the number of vehicles registered)**

After section 23(1)—

**Add**

“(1A) Subsection (1) does not apply in relation to franchised taxis.

**Note—**

The Franchised Taxi Services Ordinance ( of 2019) provides for the maximum number of franchised taxis that may be registered.”.

**52. Section 24 amended (power to refuse registration)**

(1) Section 24(1)(d)—

**Repeal**

“or”.

(2) After section 24(1)(d)—

**Add**

“(da) in order to comply with a limit which is in force under section 4(3)(b) or 6(4) of the Franchised Taxi Services Ordinance ( of 2019); or”.

**53. Section 25 amended (power to refuse or cancel licence and to impose conditions in respect of taxis)**

After section 25(4)—

**Add**

“(5) Without limiting subsection (1), if the franchise of a franchised taxi company expires or is revoked under the Franchised Taxi Services Ordinance ( of 2019), the Commissioner may—

(a) refuse to license a motor vehicle for use as a franchised taxi under the franchise; and

(b) if the company fails to return, in conformity with the franchise, a franchised taxi licence issued to the company—cancel the licence.

(6) In subsection (5)—

*franchise* (專營權) has the meaning given by section 2 of the Franchised Taxi Services Ordinance ( of 2019).”.

**54. Section 52 amended (restriction on the use of vehicles)**

Section 52(3)(i)—

**Repeal**

“or taxi”

**Substitute**

“, taxi or franchised taxi”.

**55. Section 69 amended (disqualification on conviction of certain offences)**

(1) After section 69(1)(f)—

**Add**

“(fa) an offence specified for the purposes of this section in respect of franchised taxis by the regulation made under section 23 of the Franchised Taxi Services Ordinance ( of 2019).”.

(2) Section 69—

**Repeal subsection (2)**

**Substitute**

- “(2) An order made against a person under subsection (1) must—
- (a) if made in respect of an offence specified in subsection (1)(f) or (fa)—disqualify the person from driving a taxi and franchised taxi; or
  - (b) if made in respect of another offence specified in subsection (1)—disqualify the person from holding or obtaining any driving licence.”.

**56. Section 102I amended (Commissioner may designate pre-service training schools)**

- (1) Section 102I(3)(b)(i) and (ii)—

**Repeal**

“or franchised buses”

**Substitute**

“, franchised buses or taxis”.

- (2) Section 102I(3)(b)(iii)—

**Repeal**

“or franchised bus”

**Substitute**

“, franchised bus, taxi or franchised taxi”.

**57. Schedule 1 amended (classes of vehicle)**

Schedule 1, after item “Taxi”—

**Add**

“Franchised taxi”.

**58. Schedule 3 amended (fees for vehicle examinations)**

Schedule 3, Part 2, after item 3—

**Add**

“3A. Franchised taxi 585”.

**Division 17—Amendments to Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap. 374 sub. leg. A)****59. Regulation 2 amended (interpretation)**

Regulation 2—

**Repeal the definition of receipt printing device****Substitute**“*receipt printing device* (收據打印設備) means—

- (a) for a taxi—the device installed in the taxi in compliance with regulation 42A; or
- (b) for a franchised taxi—the device installed in the franchised taxi in compliance with regulation 42A as applied under regulation 46A;”.

**60. Regulation 37 amended (visual display units)**

- (1) Regulation 37(2), English text, after “driver”—

**Add**

“of a motor vehicle the following information or view may be installed in or on the vehicle”.

- (2) Regulation 37(2)(c)—

**Repeal**

“or”.

## (3) Regulation 37(2)—

**Repeal everything after paragraph (c)****Substitute**

- “(d) any other information that is only for the purpose of navigating the vehicle;
- (e) if the vehicle is a franchised taxi—information about the franchised taxi service (as defined by section 2 of the Franchised Taxi Services Ordinance ( of 2019)) provided by the vehicle.”.

**61. Regulation 39 amended (reflecting mirrors)**

Regulation 39(1), after “taxi”—

**Add**

“, franchised taxi”.

**62. Part III heading amended (taxis, buses and light buses)**

Part III, heading, after “TAXIS”—

**Add**

“, FRANCHISED TAXIS”.

**63. Regulation 46A added**

After regulation 46—

**Add****“46A. Requirements relating to franchised taxis**

- (1) Regulations 41, 42, 42A, 43, 44, 45 and 46 apply in relation to a franchised taxi in the same way as they apply in relation to a taxi.
- (2) For paragraph (1)—

- (a) subject to subparagraph (d), references to “taxi” in regulations 41, 42, 42A, 43, 44, 45 and 46 are to be construed as references to “franchised taxi”;
- (b) references to “taximeter” in regulations 41, 42, 42A, 43 and 44 are to be construed as references to “franchised taxi meter”;
- (c) references to “TAXI” in regulations 42(1) and 45 are to be construed as references to “FRANCHISED TAXI”; and
- (d) the reference to “registered owner of a taxi” in regulation 44 is to be construed as a reference to “relevant franchised taxi company”.

**64. Regulation 47 amended (painting of vehicles)**

(1) Regulation 47(1)—

**Repeal**

“and taxis”

**Substitute**

“, taxis and franchised taxis”.

(2) Regulation 47(3)—

**Repeal**

“and taxi”

**Substitute**

“, taxi and franchised taxi”.

**65. Regulation 52 amended (maintenance of markings and painting of certain vehicles)**

(1) Regulation 52—

**Renumber the regulation as regulation 52(1).**

(2) After regulation 52(1)—

**Add**

“(2) A franchised taxi company must ensure that—

- (a) the markings required by these regulations to be on the franchised taxi are kept legible at all times; and
- (b) the franchised taxi is kept painted at all times in accordance with these regulations.”.

**66. Regulation 53 amended (prohibition marking and painting of vehicles other than buses and taxis)**

(1) Regulation 53, heading—

**Repeal**

“and taxis”

**Substitute**

“, light buses, taxis and franchised taxis”.

(2) Regulation 53(1) and (2)—

**Repeal**

“or taxi” (wherever appearing)

**Substitute**

“, taxi or franchised taxi”.

**67. Regulation 54 amended (markings on buses, light buses and taxis)**

(1) Regulation 54, heading—

**Repeal**

“and taxis”

**Substitute**

“, taxis and franchised taxis”.

(2) Regulation 54(1) and (2)—

**Repeal**

“or taxi”

**Substitute**

“, taxi or franchised taxi”.

**68. Regulation 92 amended (restriction on the nature of lamps to be carried)**

(1) Regulation 92(2)(b)—

**Repeal**

“or taximeter”

**Substitute**

“, taximeter or franchised taxi meter”.

(2) Regulation 92(2)—

**Repeal paragraph (c)**

**Substitute**

“(c) illuminating a sign—

- (i) fitted on the top of a taxi in compliance with regulation 45; or
- (ii) fitted on the top of a franchised taxi in compliance with regulation 45 as applied under regulation 46A; or”.

**69. Regulation 121 amended (offences)**

After regulation 121(4)—

**Add**

“(4A) Paragraphs (3) and (4) apply in relation to a franchised taxi in the same way as they apply in relation to a taxi.



- (4B) For paragraph (4A)—
  - (a) the reference to “taxi” in paragraph (3) is to be construed as a reference to “franchised taxi”;
  - (b) references to “taximeter” in paragraphs (3) and (4) are to be construed as references to “franchised taxi meter”; and
  - (c) the reference to “installed in accordance with regulation 42A” in paragraph (3)(f) is to be construed as a reference to “installed in compliance with regulation 42A as applied under regulation 46A”.

**70. First Schedule amended (overall dimensions of vehicles)**

First Schedule, after the entry relating to Taxi—

**Add**

“Franchised Taxi      6.3 metres      2.3 metres      2.0 metres”.

**71. Second Schedule amended**

Second Schedule, Part I, after the entry relating to Taxi—

**Add**

“Franchised Taxi                              3.0 tonnes”.

**72. Third Schedule amended (maximum passenger seating capacity)**

Third Schedule, after the entry relating to Taxi—

**Add**

“Franchised Taxi    5”.

**73. Sixth Schedule heading amended (plates on taxis)**

Sixth Schedule, heading, after “TAXIS”—

**Add**

“OR FRANCHISED TAXIS”.

**74. Seventh Schedule amended (requirements as to the number and position on vehicles of obligatory rear lamps)**

Seventh Schedule, item 7, after “taxis”—

**Add**

“, franchised taxis”.

**75. Eighth Schedule amended (requirements as to the number and position on vehicles of obligatory reflectors)**

Eighth Schedule, item 7, after “taxis”—

**Add**

“, franchised taxis”.

**76. Schedule 16 amended**

Schedule 16, Part 2, section 4(a), after “taxi”—

**Add**

“, franchised taxi”.

**Division 18—Amendments to Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg. B)**

**77. Regulation 5 amended (classification of motor vehicles for issue of driving licences)**

After regulation 5(b)—

**Add**

“(ba) franchised taxis;”.

**78. Regulation 8 amended (previous experience and driving record)**

(1) After regulation 8(1)(a)—

**Add**

“(ab) a franchised taxi;”.

(2) After regulation 8(2)—

**Add**

“(2A) Subject to paragraph (4), a person is not eligible for a full driving licence for a franchised taxi unless the person is the holder of a valid full driving licence for a taxi.”.

**79. Regulation 8A amended (pre-service course)**

(1) Regulation 8A—

**Repeal paragraph (1)**

**Substitute**

“(1) This regulation applies to an applicant for—

(a) a full driving licence for a franchised taxi under regulation 11(2BA); or

(b) a full driving licence for a public light bus under regulation 11(2C).”.

(2) Regulation 8A(3), before “public light bus”—

**Add**

“franchised taxi or”.

**80. Regulation 11 amended (issue of full driving licences)**

(1) Regulation 11(2), after “taxi”—

**Add**

“, franchised taxi”.

(2) After regulation 11(2B)—

**Add**

“(2BA) Subject to regulations 6, 7, 8, 8A and 9, the Commissioner must issue a full driving licence for a franchised taxi to an applicant for such a licence if—

(a) the applicant—

(i) is the holder of a permanent identity card; or

(ii) is the holder of an identity card (other than a permanent identity card) and is not subject to any condition of stay other than a limit of stay as defined by section 2(1) of the Immigration Ordinance (Cap. 115); and

(b) the applicant—

(i) holds a valid full driving licence issued under paragraph (1B) for a taxi; or

(ii) holds a valid full driving licence for a class of motor vehicle which the Commissioner accepts as evidence of the applicant’s competence to drive a franchised taxi.”.

(3) Regulation 11(2D), after “paragraph”—

**Add**

“(2BA)(a) or”.

**81. Regulation 12L amended (cancellation of full driving licences issued to holders of probationary driving licences, etc.)**

(1) Regulation 12L(1B)(b), after “11(1B)—

**Add**

“or (2BA)”.

(2) Regulation 12L(1D)(b)(ii)—

**Repeal**

“or (2A)”

**Substitute**

“, (2A) or (2BA)”.

**82. Regulation 15 amended (renewal of full driving licence)**

Regulation 15(2), (3) and (4), after “taxi”—

**Add**

“, franchised taxi”.

**83. Regulation 19 amended (entitlement to drive other classes of vehicle)**

(1) Regulation 19(1), after “drive a taxi”—

**Add**

“, franchised taxi”.

(2) Regulation 19(1)(b)—

**Repeal**

“and”.

(3) Regulation 19(1)(c)—

**Repeal the full stop**

**Substitute**

“; and”.

(4) After regulation 19(1)(c)—

**Add**

“(d) in the case of a franchised taxi, the franchised taxi meter indicator is covered so that it is not visible from outside the franchised taxi.”.

(5) Regulation 19(2), after “drive a taxi”—

**Add**

“, franchised taxi”.

(6) Regulation 19(2)(b)(ii)—

**Repeal**

“and”.

(7) Regulation 19(2)(c)—

**Repeal the full stop**

**Substitute**

“; and”.

(8) After regulation 19(2)(c)—

**Add**

“(d) in the case of a franchised taxi, the franchised taxi meter indicator is covered so that it is not visible from outside the franchised taxi.”.

(9) Regulation 19—

**Repeal paragraph (4)**

**Substitute**

“(4) In this regulation—

*franchised taxi meter indicator* (專營的士計程錶指示器) means an indicator installed in a franchised taxi in compliance with regulation 42(1) of the Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap. 374 sub. leg. A) as applied under regulation 46A of those Regulations;

*taximeter indicator* (的士計程錶指示器) means an indicator installed in a taxi in compliance with regulation 42(1) of

the Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap. 374 sub. leg. A).”.

**Division 19—Amendments to Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg. E)**

84. **Regulation 15 amended (cancellation of registration for non-licensing)**
- (1) Regulation 15, heading—  
**Repeal**  
“for non-licensing”.
- (2) Regulation 15(2)—  
**Repeal**  
everything after “of the vehicle”  
**Substitute a full stop.**
- (3) After regulation 15(2)—  
**Add**  
“(3) Without limiting subregulation (1), if the franchise of a franchised taxi company expires or is revoked under the Franchised Taxi Services Ordinance ( of 2019), and the company fails to cancel the registration of a franchised taxi in compliance with the franchise, the Commissioner may cancel the registration of the franchised taxi.
- (4) If the registration of a motor vehicle is cancelled under subregulation (2) or (3), the Commissioner may, subject to regulations 9, 12A, 12B, 12C, 12D, 12E, 12F, 12G, 12H, 12I, 12J, 12K, 13 and 14, assign to another motor vehicle the registration mark that was assigned to the vehicle.”.

85. **Schedule 2 amended (fees)**

Schedule 2, under heading “Annual Licence Fees”, after item 4—  
**Add**  
“4A. Franchised taxi 3,045”.

**Division 20—Amendments to Road Traffic (Safety Equipment) Regulations (Cap. 374 sub. leg. F)**

86. **Regulation 6 amended (seat belts and anchorage points)**
- (1) After regulation 6(4)(c)—  
**Add**  
“(ca) to every franchised taxi;”.
- (2) Regulation 6(5)(d) and (e), after “taxi”—  
**Add**  
“, franchised taxi”.
87. **Regulation 6A amended (middle front seat belts and anchorage points)**
- Regulation 6A—  
**Repeal subregulation (4)**  
**Substitute**  
“(4) This regulation applies to—  
(a) every private car, taxi, goods vehicle and light bus registered on or after 1 June 1996; and  
(b) every franchised taxi.”.
88. **Regulation 6B amended (rear seat belts and anchorage points)**
- Regulation 6B—

**Repeal subregulation (4)****Substitute**

“(4) This regulation applies to—

- (a) every private car registered on or after 1 June 1996;
- (b) every taxi registered on or after 1 January 2001;  
and
- (c) every franchised taxi.”.

**89. Regulation 7A amended (drivers and passengers of taxis, light buses and goods vehicles required to wear seat belts)**

(1) Regulation 7A, heading, after “taxis”—

**Add**

“, franchised taxis”.

(2) Regulation 7A(1) and (2), after “taxi”—

**Add**

“, franchised taxi”.

**90. Regulation 7B amended (passengers in rear seats of private cars, taxis and public light buses required to wear seat belts, etc.)**

(1) Regulation 7B, heading, after “taxis”—

**Add**

“, franchised taxis”.

(2) Regulation 7B(1) and (5), after “taxi” (wherever appearing)—

**Add**

“, franchised taxi”.

**91. Regulation 8 amended (circumstances in which regulations 7, 7A and 7B do not apply)**

Regulation 8(a), after “taxi”—

**Add**

“, franchised taxi”.

**Division 21—Amendments to Road Traffic (Traffic Control)  
Regulations (Cap. 374 sub. leg. G)**

**92. Regulation 27 amended (closure of roads)**

(1) Regulation 27(3)(c), after “taxis”—

**Add**

“or franchised taxis”.

(2) Regulation 27(3A)(a), after “taxis”—

**Add**

“or franchised taxis”.

**93. Regulation 45 amended (stopping)**

(1) Regulation 45—

**Renumber the regulation as regulation 45(1).**

(2) Regulation 45(1)(c)—

**Repeal**

“or”.

(3) After regulation 45(1)(c)—

**Add**

“(ca) franchised taxi stand, unless the vehicle is a franchised taxi; or”.

(4) After regulation 45(1)—

**Add**

“(2) In this regulation—

*Franchised Taxi Regulation* (《專營的士規例》) means the regulation made under section 23 of the Franchised Taxi Services Ordinance ( of 2019);

*franchised taxi stand* (專營的士站) means an area of road designated as a franchised taxi stand under the Franchised Taxi Regulation.”.

**94. Schedule 1 amended (traffic signs)**

(1) Schedule 1, Figure No. 427—

**Repeal**

“OR “Urban taxis” AND “市區的士””

**Substitute**

“, “Urban taxis” AND “市區的士” OR “Franchised taxis” AND “專營的士””.

(2) Schedule 1, Figure No. 430, after “EXCEPTION OF TAXIS”—

**Add**

“OR FRANCHISED TAXIS”.

(3) Schedule 1, Figure No. 430—

**Repeal**

“OR “Urban taxis” AND “市區的士””

**Substitute**

“, “Urban taxis” AND “市區的士” OR “Franchised taxis” AND “專營的士””.

(4) Schedule 1, Figure No. 433, after “exception of taxis”—

**Add**

“or franchised taxis”.

(5) Schedule 1, Figure No. 433—

**Repeal**

“and/or “Lantau taxis” and “大嶼山的士””

**Substitute**

“, “Lantau taxis” and “大嶼山的士” and/or “Franchised taxis” and “專營的士””.

**Division 22—Amendment to Road Traffic (Expressway) Regulations (Cap. 374 sub. leg. Q)****95. Regulation 4 amended (vehicles permitted)**

After regulation 4(1)(b)—

**Add**

“(ba) a franchised taxi;”.

**Division 23—Amendments to Road Traffic (Traffic Control) (Designation of Prohibited and Restricted Zones) Notice (Cap. 374 sub. leg. U)****96. Schedule 1 amended (prohibited zones)**

(1) Schedule 1, item 4, column 2, after “taxis”—

**Add**

“or franchised taxis”.

(2) Schedule 1, item 7, column 2—

**Repeal**

“and taxis”

**Substitute**

“, taxis and franchised taxis”.

**97. Schedule 2 amended (restricted zones)**

- (1) Schedule 2, Part 1, item 2, column 2—

**Repeal**

“and taxis”

**Substitute**

“, taxis or franchised taxis”.

- (2) Schedule 2, Part 1, item 3, column 2, after “taxis”—

**Add**

“, franchised taxis”.

- (3) Schedule 2, Part 2, item 3, column 2—

**Repeal paragraph (a)**

**Substitute**

“(a) Taxis or franchised taxis.”.

- (4) Schedule 2, Part 2, item 4, column 2—

**Repeal paragraph (a)**

**Substitute**

“(a) Taxis or franchised taxis.”.

**Division 24—Amendments to Western Harbour Crossing Ordinance (Cap. 436)**

**98. Schedule 1 amended (Western Harbour Crossing tolls)**

Schedule 1, category 2, after “taxis”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxis (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**99. Schedule 2 amended (increases in Western Harbour Crossing tolls)**

Schedule 2, category 2, after “taxis”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxis (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**100. Schedule 3 amended (increases in Western Harbour Crossing tolls)**

Schedule 3, category 2, after “taxis”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxis (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**Division 25—Amendments to Tai Lam Tunnel and Yuen Long Approach Road Ordinance (Cap. 474)**

**101. Schedule 1 amended (Tai Lam Tunnel and Yuen Long Approach Road tolls)**

Schedule 1, category 2, after “taxis”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxis (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**102. Schedule 2 amended (increases in Tai Lam Tunnel and Yuen Long Approach Road tolls)**

Schedule 2, category 2, after “taxis”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxis (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**Division 26—Amendments to Airport Authority Bylaw  
(Cap. 483 sub. leg. A)****103. Schedule 5 amended (traffic signs, road markings (if any) and traffic light signals)**

(1) Schedule 5, Figure No. 11—

**Repeal**

“TAXI LANE”

**Substitute**

“TAXI AND FRANCHISED TAXI LANE”.

(2) Schedule 5, Figure No. 11—

**Repeal**

“TAXI STAGING AREA”

**Substitute**

“STAGING AREA OF TAXIS (AS DEFINED BY SECTION 2 OF THE ROAD TRAFFIC ORDINANCE (CAP. 374)) OR FRANCHISED TAXIS (AS DEFINED BY SECTION 2 OF THE ROAD TRAFFIC ORDINANCE (CAP. 374))”.

**Division 27—Amendments to Tsing Ma Control Area (Tolls, Fees and Charges) Regulation (Cap. 498 sub. leg. A)****104. Schedule 1 amended (tolls)**

Schedule 1, category 2, after “taxi”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxi (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**105. Schedule 6 amended (fees and charges for removal, impounding and storage of vehicles)**

Schedule 6, item 1(a), after “taxi”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxi (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**Division 28—Amendments to Mass Transit Railway Ordinance (Cap. 556)****106. Section 2 amended (interpretation)**

Section 2(1)—

**Add in alphabetical order**

“*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);

*taxi* (的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);”.



**107. Section 33 amended (regulations)**

Section 33(3)(e)(i), after “ranks”—

**Add**

“, franchised taxi ranks”.

**108. Section 34 amended (bylaws)**

(1) Section 34(1)(d)(ii)—

**Repeal**

“and taxi ranks”

**Substitute**

“, taxi ranks and franchised taxi ranks”.

(2) Section 34(1)(d)(vi)(A), after “ranks”—

**Add**

“, franchised taxi ranks”.

**Division 29—Amendments to Mass Transit Railway  
(Transport Interchange) Regulation (Cap. 556 sub. leg. C)****109. Section 11 amended (designation of taxi rank)**

(1) Section 11, heading, after “rank”—

**Add**

“and franchised taxi rank”.

(2) Section 11(1)—

**Repeal**

everything after “interchange”

**Substitute**

“, by means of prescribed traffic signs, prescribed light signals or prescribed road markings, as—

(a) a taxi rank within which a taxi may stand or ply for hire or set down passengers; or

(b) a franchised taxi rank within which a franchised taxi may stand or ply for hire or set down passengers.”.

(3) Section 11(2), after “rank”—

**Add**

“or franchised taxi rank”.

(4) Section 11(2), after “taxis”—

**Add**

“or franchised taxis”.

(5) Section 11(3), after “rank”—

**Add**

“or franchised taxi rank”.

**Division 30—Amendments to Mass Transit Railway  
(Transport Interchange) Bylaw (Cap. 556 sub. leg. D)****110. Section 1 amended (interpretation)**

(1) Section 1(1)—

**Repeal the definition of *taxi*.**

(2) Section 1(1)—

**Add in alphabetical order**“*franchised taxi bay* (專營的士候客位) means a single-occupancy bay within a franchised taxi rank designated by prescribed traffic signs or prescribed road markings in which a franchised taxi may stand or ply for hire or set down passengers;

*franchised taxi queue lane* (專營的士輪候車道) means a traffic lane designated by prescribed traffic signs, prescribed road markings or prescribed light signals in which franchised taxis may queue-up for entry to a franchised taxi rank;

*franchised taxi rank* (專營的士候客處) means an area comprising one or more franchised taxi bays designated by prescribed traffic signs, prescribed road markings or prescribed light signals;”.

**111. Part VI heading amended (franchised buses, public light buses and taxis)**

Part VI, heading—

**Repeal**

“AND TAXIS”

**Substitute**

“, TAXIS AND FRANCHISED TAXIS”.

**112. Section 26A added**

Part VI, after section 26—

**Add**

**“26A. Franchised taxi**

- (1) The following provisions apply in relation to a franchised taxi in the same way as they apply in relation to a taxi—
- (a) sections 22, 25(3) and 26;
  - (b) sections 37 and 62 and Schedule 2 (to the extent that they relate to the provisions referred to in paragraph (a)).

(2) For subsection (1)—

- (a) subject to paragraphs (b), (c) and (d), references to “taxi” in sections 22, 25(3) and 26 and Schedule 2 are to be construed as references to “franchised taxi”;
- (b) references to “taxi bay” in sections 22, 25(3) and 26 and Schedule 2 are to be construed as references to “franchised taxi bay”;
- (c) references to “taxi rank” in sections 22 and 26 and Schedule 2 are to be construed as references to “franchised taxi rank”; and
- (d) references to “taxi queue lane” in sections 22 and 26 and Schedule 2 are to be construed as references to “franchised taxi queue lane”.

**113. Schedule 1 amended (prescribed traffic signs, prescribed road markings and prescribed light signals)**

(1) Schedule 1, before Figure No. 4—

**Add**

“REGULATORY

FIGURE NO. 3A



FRANCHISED TAXI QUEUE LANE

This sign is to be erected to face oncoming vehicles to indicate the start of a franchised taxi queue lane within a transport interchange.

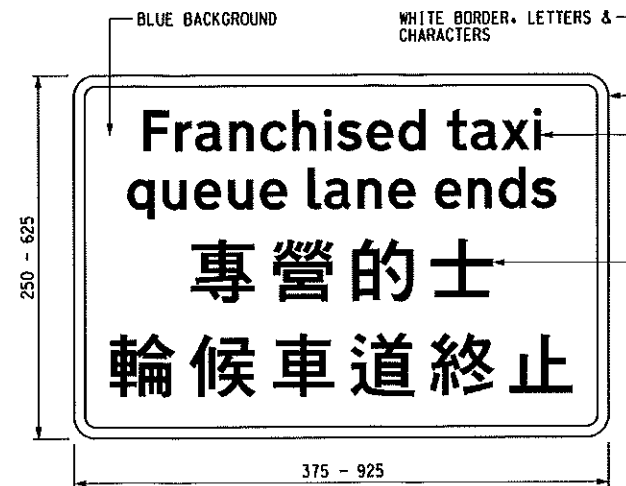
The sign may be used in conjunction with the road marking shown in Figure No. 33A or may be used alone.”

- (2) Schedule 1, before Figure No. 5—

**Add**

“REGULATORY

FIGURE NO. 4A



FRANCHISED TAXI QUEUE LANE ENDS

This sign is to be erected to face oncoming vehicles to indicate the end of a franchised taxi queue lane within a transport interchange.”

- (3) Schedule 1, before Figure No. 6—

**Add**

“REGULATORY

FIGURE NO. 5A



FRANCHISED TAXI RANK

This sign demarcates the limits of a franchised taxi rank within a transport interchange. It may be used in conjunction with the supplementary plate in Figure No. 26.”

- (4) Schedule 1, Figure No. 6, after “21,”—

**Add**

“21A, 21B.”

- (5) Schedule 1, before Figure No. 22—

**Add**

“SUPPLEMENTARY PLATE

FIGURE NO. 21A



This plate may be attached to the sign in Figure No. 6 to indicate the exemption of franchised taxis from the prohibition stated on the sign.

SUPPLEMENTARY PLATE

FIGURE NO. 21B



This plate may be attached to the sign in Figure No. 6 to indicate the exemption of taxis and franchised taxis from the prohibition stated on the sign.”

- (6) Schedule 1, Figure No. 26—

**Repeal**

“5,”

**Substitute**

“3A, 5, 5A,”

- (7) Schedule 1, Figure No. 28—

**Repeal**

“OR 4”

**Substitute**

“, 3A, 4 OR 4A”.

- (8) Schedule 1, Figure No. 30—

**Repeal**

“TAXIS”

**Substitute**

“THE TYPES OR CLASSES OF VEHICLES SPECIFIED ON THE PLATE”.

- (9) Schedule 1, Figure No. 30—

**Repeal**

“THE WORD ‘Taxis’ AND THE CHARACTERS ‘的士’ MAY BE VARIED TO ACCORD WITH THE SPECIFIED TYPES OR CLASSES OF VEHICLE PERMITTED TO PARK IN THE PARKING SPACE”

**Substitute**

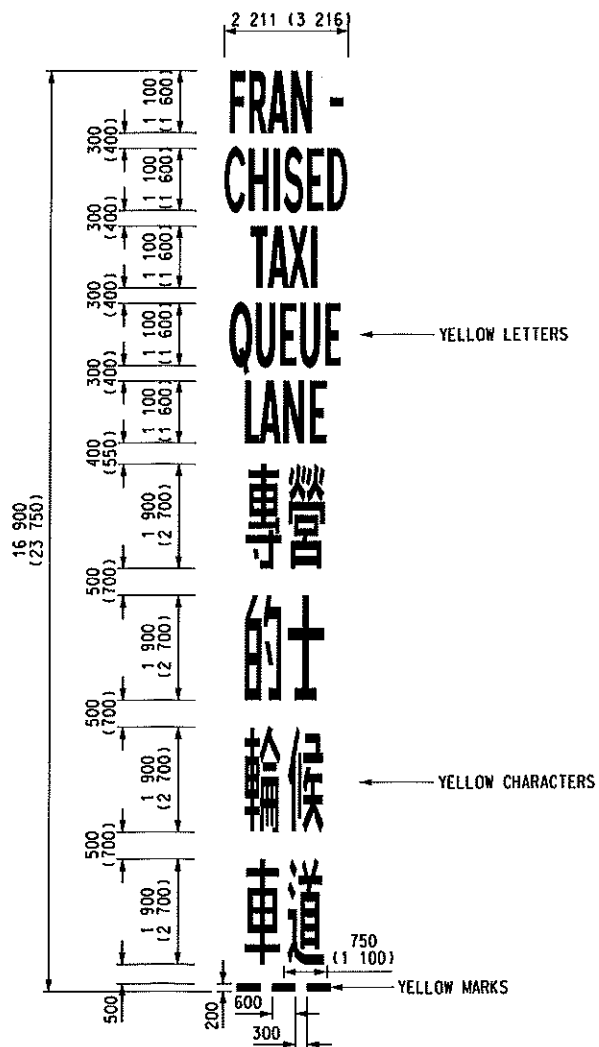
“THE WORD ‘Taxis’ AND THE CHARACTERS ‘的士’ MAY BE VARIED TO ‘Franchised taxis’ AND ‘專營的士’ OR TO ‘Taxis and franchised taxis’ AND ‘的士及專營的士’, AND MAY ALSO BE VARIED TO OTHER SPECIFIED TYPES OR CLASSES OF VEHICLE (OR A COMBINATION OF OTHER SPECIFIED TYPES OR CLASSES OF VEHICLE).”.

- (10) Schedule 1, before Figure No. 34—

**Add**

“REGULATORY

FIGURE NO. 33A



ROAD MARKING  
FRANCHISED TAXI QUEUE LANE

This marking indicates a franchised taxi queue lane within a transport interchange. The yellow transverse broken line indicates the start of the queue lane.

The marking may be used in conjunction with the sign shown in Figure No. 3A or may be used alone.

The marking will always be used with lane markings placed to one or the other side of it, or to both sides in the case of a franchised taxi queue lane that is not flanked by a kerb on either side.

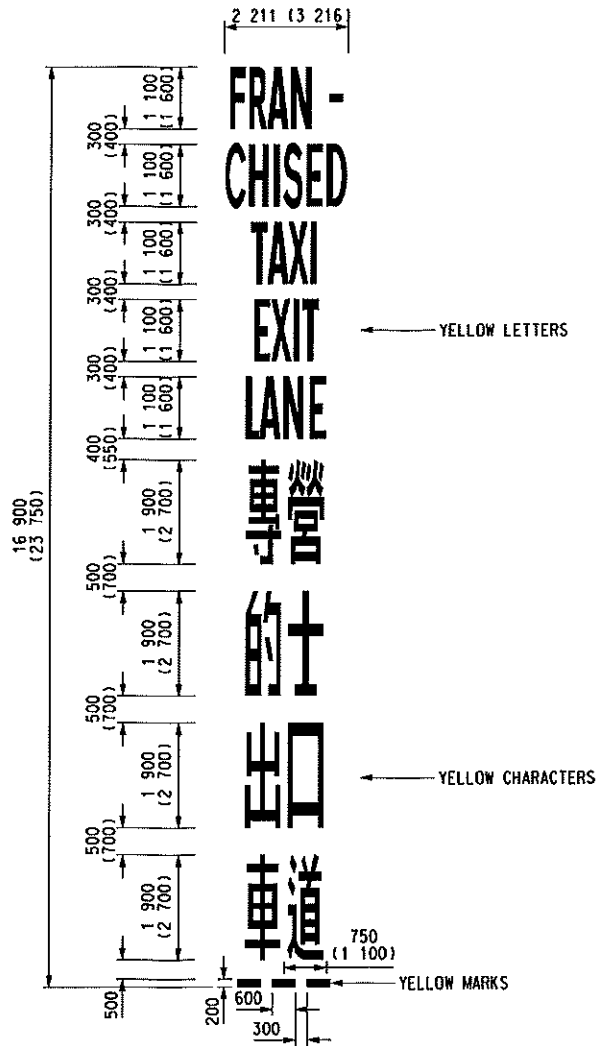
The letters and characters may be used without the yellow transverse broken line as repeater markings at intervals along the franchised taxi queue lane.”

(11) Schedule 1, before Figure No. 35—

Add

“REGULATORY

FIGURE NO. 34A



ROAD MARKING  
FRANCHISED TAXI EXIT LANE

This marking indicates a franchised taxi exit lane within a transport interchange. The yellow transverse broken line indicates the start of the exit lane.

The marking will always be used with lane markings placed to one or the other side of it, or to both sides in the case of a franchised taxi exit lane that is not flanked by a kerb on either side.

The letters and characters may be used without the yellow transverse broken line as repeater markings at intervals along the franchised taxi exit lane.”.

**114. Schedule 2 amended (penalties)**

Schedule 2, after “[ss.]”—

**Add**

“26A,”.

**Division 31—Amendment to Entertainment Special Effects (General) Regulation (Cap. 560 sub. leg. A)**

**115. Section 26 amended (pyrotechnic special effects materials not permitted in public vehicles, etc.)**

Section 26, after “taxi”—

**Add**

“(as defined by section 2 of the Road Traffic Ordinance (Cap. 374)), franchised taxi (as defined by section 2 of the Road Traffic Ordinance (Cap. 374))”.

**Division 32—Amendments to Tsing Sha Control Area  
(Tolls, Fees and Charges) Regulation (Cap. 594 sub. leg. B)**

**116. Section 2 amended (interpretation)**

Section 2—

**Add in alphabetical order**

“*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);”.

**117. Schedule 1 amended (tolls)**

Schedule 1, after category 2(c)—

**Add**

“(d) Franchised taxi \$8”.

**118. Schedule 6 amended (charges for removal, impounding and storage of vehicles)**

Schedule 6, after item 1(a)(v)—

**Add**

“(va) a franchised taxi; \$280”.

**Division 33—Amendments to Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611)**

**119. Schedule 1 amended (drivers to whom idling prohibition does not apply)**

(1) Schedule 1, section 2(1), after “stand”—

**Add**

“, or a driver of a franchised taxi that is at a franchised taxi stand”.

(2) Schedule 1, section 2(6)—

**Add in alphabetical order**

“*franchised taxi* (專營的士) has the meaning given by section 2 of the Road Traffic Ordinance (Cap. 374);

*Franchised Taxi Regulation* (《專營的士規例》) means the regulation made under section 23 of the Franchised Taxi Services Ordinance ( of 2019);

*franchised taxi stand* (專營的士站), subject to subsection (8), means an area of road designated as a franchised taxi stand under the Franchised Taxi Regulation;”.

(3) Schedule 1, section 2—

**Repeal subsection (7)**

**Substitute**

“(7) If an area of road is, but for this subsection, a taxi stand, green minibus stand or red minibus stand, the area is for the purposes of this section not a taxi stand, green minibus stand or red minibus stand when the stand is suspended under regulation 32 of the Road Traffic (Public Service Vehicles) Regulations (Cap. 374 sub. leg. D).

(8) If an area of road is, but for this subsection, a franchised taxi stand, the area is for the purposes of this section not a franchised taxi stand when the stand is suspended under the Franchised Taxi Regulation.”.



**Schedule**

[ss. 4 & 11]

**Franchised Taxi Fares**

Item	Type of Fare	Amount
1.	Distance Travelled .....	<p>(A) \$ for the first 2 kilometres or any part of those 2 kilometres;</p> <p>(B) \$ for every further 200 metres or any part of those 200 metres, until the chargeable amount reaches \$ ; and</p> <p>(C) \$ for every 200 metres or any part of those 200 metres, after the chargeable amount has reached \$ .</p>
2.	Waiting Time .....	(A) \$ for every period of 1 minute, or any part of that period, during which the franchised taxi is hired but not in motion, until the chargeable amount reaches \$ ; and

Item	Type of Fare	Amount
		(B) \$ for every period of 1 minute, or any part of that period, during which the franchised taxi is hired but not in motion, after the chargeable amount has reached \$ .
3.	Additional Fares	
	(i) For every article carried in accordance with the regulation made under section 23(1)(e) .....	\$
	(ii) For every animal carried in accordance with the regulation made under section 23(1)(e) .....	\$
	(iii) For every hiring involving the use of the Lion Rock Tunnel, the Shing Mun Tunnels, the Tseung Kwan O Tunnel, the Tate's Cairn Tunnel, the Aberdeen Tunnel, the Tai Lam Tunnel, the Cross-Harbour Tunnel, the Eastern Harbour Crossing or the Western Harbour Crossing .....	The toll charge paid by the driver of the franchised taxi during the hiring.

Item	Type of Fare	Amount
(iv) (a)	For every hiring that is for a destination across the harbour via the Cross-Harbour Tunnel where the hiring does not begin from a cross-harbour franchised taxi stand .....	\$
(b)	For every hiring that is for a destination across the harbour via the Eastern Harbour Crossing or the Western Harbour Crossing where the hiring does not begin from a cross-harbour franchised taxi stand .....	\$
(v)	For every hiring involving the use of the Lantau Link .....	The toll charge paid by the driver of the franchised taxi during the hiring for the use of the Lantau Link.
(vi)	For every hiring that—	
(a)	begins outside Lantau, Chek Lap Kok and Ma Wan;	
(b)	is for a destination in Lantau, Chek Lap Kok	

Item	Type of Fare	Amount
	or Ma Wan; and	
(c)	involves the use of the Lantau Link .....	\$
(vii)	For every hiring that—	
(a)	begins from Lantau, Chek Lap Kok or Ma Wan;	
(b)	is for a destination outside Lantau, Chek Lap Kok and Ma Wan; and	
(c)	involves the use of the Lantau Link .....	\$
(viii)	For every hiring that—	
(a)	begins from Lantau or Chek Lap Kok;	
(b)	is for a destination in Ma Wan; and	
(c)	involves the use of the Lantau Link .....	\$
(ix)	For every hiring that—	
(a)	begins from Ma Wan;	
(b)	is for a destination in Lantau or Chek Lap Kok; and	
(c)	involves the use of the Lantau Link .....	\$
(x)	For every hiring involving the	

Item	Type of Fare	Amount
	use of the toll area within the meaning of the Tsing Sha Control Area Ordinance (Cap. 594) .....	The toll paid by the driver of the franchised taxi during the hiring for the use of the toll area.

**Explanatory Memorandum**

The main purpose of this Bill is to introduce the services of franchised taxis through empowering the granting of franchises and establishing a regulatory system.

2. The Bill contains 6 Parts and a Schedule.

**Part 1—Preliminary**

3. Clause 1 sets out the short title and provides for commencement.
4. Clause 2 defines expressions used in the Bill.
5. Clause 3 provides for restrictions on the use of franchised taxis. A franchisee must not use a franchised taxi to provide a service for the carriage of passengers when its franchise is not in force. And no person may, without the written approval of the Commissioner for Transport, use a franchised taxi to carry out other activities not connected with the provision of a franchised taxi service.

**Part 2—Franchises**

6. Clause 4 empowers the Chief Executive in Council to grant a franchise for franchised taxi service to a registered company, and contains provisions relating to the grant of the franchise.
7. Clause 5 empowers the Chief Executive in Council to amend a franchise with the written consent of the franchisee.
8. Clause 6 provides that the validity period of a franchise specified on granting of the franchise must not exceed 5 years. It also empowers the Chief Executive in Council, under certain circumstances, to extend the validity period of a franchise for a period not exceeding one year.

9. Clause 7 requires a franchisee to pay the franchise fee to the Commissioner for Transport before the deadline or its franchise may be revoked.
10. Clause 8 provides that a franchisee must provide a guarantee for the franchise to the Commissioner for Transport, and the Commissioner must discharge the guarantee when the relevant franchise expires or is revoked.
11. Clause 9 imposes restrictions on the assignment of a franchise.

### Part 3—Regulation of Franchised Taxi Services

12. Clause 10 requires a franchisee to maintain a proper and efficient franchised taxi service during the franchise period.
13. Clause 11 provides for a schedule of fares for franchised taxi services, and restricts the fares that a franchisee may charge a passenger of a franchised taxi for carrying articles. It also empowers the Chief Executive in Council to amend the fares by order.
14. Clause 12 provides for the maximum number of franchised taxis that may be used by all franchisees to provide franchised taxi services under valid franchises. It also empowers the Chief Executive in Council to amend the maximum number by order.
15. Clause 13 empowers the Chief Executive in Council etc. to give a franchisee a direction or requirement in respect of a matter that relates to its franchise or the franchised taxi service provided by it.
16. Clause 14 empowers the Commissioner for Transport to inspect a franchised taxi, and to require a franchisee to carry out maintenance or other work in connection with a franchised taxi.
17. Clause 15 empowers the Commissioner for Transport to require a franchisee to keep, and provide the Commissioner with, relevant

- documents. It also empowers the Commissioner for Transport to inspect and make copies of the documents.
18. Clause 16 empowers the Commissioner for Transport to impose a financial penalty on a franchisee under certain circumstances. It also makes provisions in relation to the imposition of the financial penalty.
19. Clause 17 empowers the Commissioner for Transport to recover any unpaid financial penalty by enforcement of the guarantee provided by the franchisee or, to the extent the guarantee may be insufficient, as a civil debt.

### Part 4—Suspension or Revocation of Franchises

20. Clause 18 provides the conditions to be met before the Chief Executive in Council expresses an intention to suspend or revoke a franchise.
21. Clause 19 empowers the Chief Executive in Council to suspend a franchise under certain circumstances. It also makes provisions in relation to such suspension.
22. Clause 20 empowers the Chief Executive in Council to revoke a franchise under certain circumstances. It also makes provisions in relation to such revocation.
23. Clause 21 provides that a franchisee whose franchise is suspended or revoked is not entitled to any compensation.

### Part 5—Miscellaneous

24. Clause 22 provides that a franchisee may appeal to the Chief Executive in Council against certain decisions, directions or requirements made or given under the Ordinance.

25. Clause 23 empowers the Chief Executive in Council to make a regulation in relation to franchised taxi services. It also empowers the Secretary for Transport and Housing to amend the regulation.

**Part 6—Related and Consequential Amendments**

26. Clauses 24 to 119 make related and consequential amendments to the following enactments—
- (a) Specification of Public Offices Notice (Cap. 1 sub. leg. C);
  - (b) Telecommunications (Telecommunications Apparatus) (Exemption from Licensing) Order (Cap. 106 sub. leg. Z);
  - (c) Dutiable Commodities Ordinance (Cap. 109);
  - (d) Inland Revenue Rules (Cap. 112 sub. leg. A);
  - (e) Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240);
  - (f) Fixed Penalty (Criminal Proceedings) Regulations (Cap. 240 sub. leg. A);
  - (g) Frontier Closed Area (Permission to Enter) Notice (Cap. 245 sub. leg. H);
  - (h) Shenzhen Bay Port Hong Kong Port Area (Permission to Enter) Notice (Cap. 245 sub. leg. K);
  - (i) Dangerous Goods (General) Regulations (Cap. 295 sub. leg. B);
  - (j) Air Pollution Control (Vehicle Design Standards) (Emission) Regulations (Cap. 311 sub. leg. J);
  - (k) Motor Vehicles (First Registration Tax) Ordinance (Cap. 330);
  - (l) Waste Disposal Ordinance (Cap. 354);

- (m) Road Tunnels (Government) Regulations (Cap. 368 sub. leg. A);
- (n) Smoking (Public Health) Ordinance (Cap. 371);
- (o) Road Traffic Ordinance (Cap. 374);
- (p) Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap. 374 sub. leg. A);
- (q) Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg. B);
- (r) Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg. E);
- (s) Road Traffic (Safety Equipment) Regulations (Cap. 374 sub. leg. F);
- (t) Road Traffic (Traffic Control) Regulations (Cap. 374 sub. leg. G);
- (u) Road Traffic (Expressway) Regulations (Cap. 374 sub. leg. Q);
- (v) Road Traffic (Traffic Control) (Designation of Prohibited and Restricted Zones) Notice (Cap. 374 sub. leg. U);
- (w) Western Harbour Crossing Ordinance (Cap. 436);
- (x) Tai Lam Tunnel and Yuen Long Approach Road Ordinance (Cap. 474);
- (y) Airport Authority Bylaw (Cap. 483 sub. leg. A);
- (z) Tsing Ma Control Area (Tolls, Fees and Charges) Regulation (Cap. 498 sub. leg. A);
- (za) Mass Transit Railway Ordinance (Cap. 556);
- (zb) Mass Transit Railway (Transport Interchange) Regulation (Cap. 556 sub. leg. C);

- (zc) Mass Transit Railway (Transport Interchange) Bylaw (Cap. 556 sub. leg. D);
- (zd) Entertainment Special Effects (General) Regulation (Cap. 560 sub. leg. A);
- (ze) Tsing Sha Control Area (Tolls, Fees and Charges) Regulation (Cap. 594 sub. leg. B);
- (zf) Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611).

**Schedule—Franchised Taxi Fares**

27. The Schedule contains the structure of franchised taxi fares. The Chief Executive in Council may amend the Schedule by order to specify the fares.

## **Other details of the proposal on franchised taxis**

Other details of the proposal on franchised taxis are as follows:

### **Permitted operating areas**

2. We propose the permitted operating areas of franchised taxis should be the same as those of existing urban taxis. Moreover, having regard to the possible passenger demand of franchised taxis in South Lantau, the Transport Department (TD) will consider granting three – five Lantau Closed Road Permits for each operator. We also propose that apart from on-street hailing, franchised taxis can only pick up and drop off passengers at designated franchised taxi stands, but not at ordinary taxi stands. The franchised taxi stands will be set up at locations where demand is expected to be really high, e.g. the airport and boundary control points.

### **Vehicle types, compartment facilities and limit on vehicle age**

3. We propose to set basic service standards and compartment facilities requirements in respect of vehicle types under a franchise. For instance, the operators' fleets will be required to comprise at least 50% wheelchair-accessible taxis. If a bidder of franchised taxis proposes a percentage of wheelchair accessible vehicles higher than this requirement, his application will be accorded with a higher score under the assessment. Operators will be required to provide free wi-fi and mobile phone charging facilities. Having regard to the different market positioning of ordinary taxis and franchised taxis and to respond to the need of the passenger group for franchised taxis, we propose to set a minimum vehicle price requirement. Apart from the basic standards, we propose that the operators can decide on its own the type of vehicles to be used, such as the use of environment-friendly vehicles (including electric vehicles or hybrid vehicles). To encourage the operator to use more environmentally-friendly vehicles, if a bidder of franchised taxis proposes to use more environmentally-friendly vehicles in his fleet, his application will be accorded with a higher score under the assessment. Also, other compartment facilities, such as larger compartment and luggage storage space, etc. proposed by the applicant will be assessed for granting the franchises. The idea is to encourage operators to provide a wider variety of vehicle types and compartment facilities.

4. To enhance driving safety and the appeal of vehicle appearance, we propose to set an age limit on vehicles under the franchise. We propose that the age limit should not exceed the franchise period, i.e. five years. In fact, age limits are imposed on taxis in our neighbouring cities. For example, decommissioning is mandatory for a taxi after five years, six and a half years, and eight years of service in Japan, Sydney and Singapore respectively.

5. As regards the livery and the identification marking of franchised taxis, we propose to standardise the requirements, while allowing individual operators to attach company logos to vehicles in their fleets in an appropriate manner. Based on experiences abroad, a livery in black should be in order.

### **Required number of vehicles in operation and service level**

6. As franchised taxis are a new service, operators may have to make necessary adjustment in the initial stage of operation. To this end, we propose to allow operators of franchise to launch their franchised taxis in phases. For instance, operators will be required to put in place no less than 150 franchised taxis upon commencement of its franchise, while the remaining 50 franchised taxis will have to be put in place within the first two years of operation. In addition, to ensure that the operators will maintain appropriate service levels to meet the passengers' demand throughout the day, they will be required to meet different franchised taxi availability rates during different periods of the day (e.g. over 90% of the franchised taxis must be available for operation during peak periods, and the rates could be lower during inter-peak periods and overnight period).

### **Mobile applications**

7. We propose to require operators to provide mobile applications for hailing franchised taxis. Operators may develop their own mobile applications or use the existing ones. The TD will provide, in its webpage, hyperlinks to the mobile applications of different franchised taxi operators. The operators' mobile applications will have to meet the standard requirements under the franchises, including functions to lodge complaints, express opinions and rate drivers. This will also help the operators to monitor the service quality more effectively. The mobile applications will not be allowed to require passengers to provide their destinations unless the passengers opt to do so on their own volition.



The operators will be required to dispatch taxis according to passengers' locations. Refusal of hire will not be allowed. Moreover, we propose that the franchises should require all franchised taxis to be equipped with GPS devices. Real-time operating data of each franchised taxi, including hires for services, charges, routes and drivers' information, will be recorded by the GPS devices for the Government's inspection. In deciding on the scope of operating data to be collected, the Government will carefully assess whether such operating data will contain personal information. To ensure protection of passengers' personal data, we will carefully handle the information involving personal data in accordance with the six data protection principles under the Personal Data (Privacy) Ordinance. In addition, operators will be required to open up their data such as real-time taxi locations and availability status, etc. in machine-readable format on the "data.gov.hk" portal.

### **Drivers' training**

8. We propose to require the franchise operators to provide training courses to the drivers. The training courses should cover customer service skills, driving attitude, handling of emergencies and traffic accidents, handling of customer complaints, basic vocational English and Mandarin, etc. Drivers' training courses proposed by the applicants will be an important factor to be assessed for granting the franchises.

### **Customer service and complaint handling**

9. We propose to require the franchise operators to provide 24-hour manned customer service hotlines and electronic channels (e.g. email, online comment form or mobile applications) as platforms for lodging complaints and providing comment. We also propose to require the operators to handle the passengers' complaints or respond to their opinions within a reasonable period.

### **Payment method**

10. We propose to require the franchise operators to provide at least one means of electronic payment, such as credit card, mobile payment applications, or octopus card payment, other than cash payment. If a bidder of franchised taxis proposes to have more electronic payment means, his application will be accorded with a higher score in the tender assessment.

**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 charges<sup>1</sup>. 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

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<sup>1</sup> 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).

**Comparison of the features of ordinary taxis and franchised taxis**

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

4. Drivers	<ul style="list-style-type: none"> <li>- Drivers must be holders of a valid taxi driving licence<sup>1</sup></li> <li>- The majority of the ordinary taxi drivers are self-employed rentee-drivers or owner-drivers</li> </ul>	<ul style="list-style-type: none"> <li>- Drivers must be holders of a valid franchised taxi driving licence</li> <li>- Drivers must complete and pass the pre-service course requirement on franchised taxi</li> <li>- Drivers will receive training provided by the franchisees<sup>2</sup></li> <li>- Franchisees are encouraged to maintain employer-employee relationship with their drivers<sup>3</sup></li> </ul>
5. Operating areas	<ul style="list-style-type: none"> <li>- 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)</li> </ul>	<ul style="list-style-type: none"> <li>- Same as urban taxis, with each franchisee to be issued three - five Lantau Closed Road Permits for entering south Lantau</li> </ul>
6. Hailing arrangement	<ul style="list-style-type: none"> <li>- Can be hailed on the street, at taxi stands or through pre-booked services (e.g. through</li> </ul>	<ul style="list-style-type: none"> <li>- Can be hailed on the street, at franchised taxi stands or through pre-book services</li> </ul>

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<sup>1</sup> 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.

<sup>2</sup> Franchisees are required under the franchise to provide drivers' training.

<sup>3</sup> 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 <sup>4</sup> or by telephone), the provision of which is compulsory for franchisees
7. Vehicle types	<ul style="list-style-type: none"> <li>- No requirement on vehicle types in terms of vehicle price, wheelchair-accessible facilities</li> <li>- With valid third party risk insurance</li> <li>- Maximum capacity of 5 passenger seats</li> </ul>	<ul style="list-style-type: none"> <li>- Subject to the minimum vehicle price requirement</li> <li>- Each franchise to comprise at least 50% of wheelchair-accessible vehicles</li> <li>- With valid third party risk insurance</li> <li>- Maximum capacity of 5 passenger seats</li> </ul>
8. Vehicle age limit	<ul style="list-style-type: none"> <li>- No requirement on vehicle age limit</li> </ul>	<ul style="list-style-type: none"> <li>- A limit of five years to tally with the franchise period</li> </ul>
9. Global positioning system devices	<ul style="list-style-type: none"> <li>- No requirement on global positioning system devices</li> </ul>	<ul style="list-style-type: none"> <li>- Must be equipped with global positioning system devices and record the real-time operating data for Government's inspection</li> </ul>
10. Customer service and complaint handling	<ul style="list-style-type: none"> <li>- No requirement on customer service or complaint handling channel</li> <li>- Passengers can lodge complaints and provide comments on ordinary taxi services to the Transport Department</li> </ul>	<ul style="list-style-type: none"> <li>- 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</li> </ul>

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<sup>4</sup> 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"> <li>- Franchisees will be required to respond to the complaints and comments within a reasonable period</li> <li>- Passengers may rate drivers' service in the mobile applications</li> </ul>
11. Payment method	- No requirement on the provision of electronic payment means <sup>5</sup>	- Franchisees must accept cash and provide at least one form of electronic payment means

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

**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.

## **Implications of the proposal**

### **Financial and civil service implications**

The payment of lump sum franchise fees to the Government, to be determined by open bidding, will increase the general revenue of the Government but the amount cannot be assessed at this stage. The first registration tax and fees currently applied to ordinary taxis will also be charged for franchised taxis and that will increase the general revenue of the Government.

2. Additional workload is involved in preparing for the legislative work and tender exercise for introducing franchised taxis as well as the monitoring upon the launch of the new services. A designated team has been established in the Transport Department since April 2018 to handle the additional workload. Additional manpower resources, if required, will be sought with justifications in accordance with the established resource allocation procedures.

### **Economic implications**

3. The introduction of franchised taxis would help enhance the availability of personalised and point-to-point public transport services to meet the new demand in the community. This would also help bring about some time savings for users of such services and generate new job opportunities. Yet the overall effect is unlikely to be significant, given the proposed number of franchised taxis, at 600 (equivalent to around 3% of existing taxis in Hong Kong), is relatively modest.

### **Competition implications**

4. The Competition Commission (the Commission) has been consulted on the competition aspects of the franchised taxi proposal. The Commission considers it raises significant competition concerns. The Commission's advice is at Enclosure. In gist, the Commission is of the view that the Government could explore modifying the franchised taxi proposal by way of using the tender process to allow a competitive process to set the fare, and enabling the number of franchised taxis to be increased more easily to reflect demand. The Commission is concerned that the current approach will involve the Government artificially setting

Encl.

a higher fare for franchised taxis in order to make them harder to compete with licensed taxis in terms of price. If a similarly high quality taxi service can be provided at a lower fare, there is no public interest in the Government requiring a higher fare to be set.

5. The Commission suggests that, as a variant of the franchised taxi proposal, instead of specifying the fare levels in the legislation, the bidders for the franchises could be allowed to compete by setting their own fare levels as well as through service quality, subject to the minimum standards set by the Government. Under its suggestion, the proposed fares could be subject to an upper limit but the bidders to operate a franchised taxi service would compete to offer a distinctively higher quality of service at the lowest possible fare during the competitive tendering process. The Commission also considers that rather than specifying the number of franchised taxis in the legislation, their total number should be kept under review by the Government. If franchised taxis were proven to be popular, the number should be allowed to increase to reflect market demand while taking into account other considerations such as congestion although noting there may be more effective ways of dealing with that issue. The Commissions also raised competition concerns in relation to retendering at the end of the franchise and the arrangements for “tipping”. In addition, the Commission provided other alternatives to the franchised taxi proposal which the Commission believed would be more pro-competitive and go further to address public demand for enhanced taxi services while meeting the Government’s policy goals.

6. While we appreciate the Commission's views from the competition angle, we would like to stress that, fundamentally the introduction of franchised taxis will not make the taxi market any less competitive. On the contrary, the launching of franchised taxi service may drive the ordinary taxi trade to further improve their service quality. Moreover, it should be noted that a clear scale of fares charged according to taximeter is one of the key components of taxi service. Hence, the Commission’s suggestion to allow bidders for franchised taxis to compete with each other by setting their own fare levels, which in effect allows individual franchisees to charge different fares, would change fundamentally the nature of franchised taxi service being a new form of taxi service. In fact, the outcome of a survey conducted by the Government in May 2016 indicates that passengers are willing to pay

more in return for new taxi services of higher quality<sup>1</sup>. Apart from public acceptability, in deciding the appropriate fare level of franchised taxi service, we would also have to take into account the need to provide adequate and reasonable incentives for the operators to maintain higher quality services in a sustained manner which would require higher operating cost, and the importance to set a clear fare differential between ordinary taxis and franchised taxis so as to achieve a more distinctive market positioning between the two. As mentioned in paragraph 12 of the main paper, we consider that the proposed fare level of franchised taxi service (i.e. around 50% above the ordinary taxi fare) has struck an appropriate balance in this respect.

7. Also, we consider that a statutory cap on the total number of franchised taxis (i.e. 600) is necessary to provide a reasonable ground for the Government to assess the passengers' demand for the new services, financial viability and operation efficiency of franchised taxi operators, impact on the business development of ordinary taxis and livelihood of ordinary taxi drivers, etc., during the period of trial scheme. Should there be strong demand for the new franchised taxi service proven upon completion the trial scheme and having consulted various stakeholders, the statutory cap could be adjusted through legislative amendments subject to LegCo's support. In any event, the Government will closely monitor the operation of franchised taxi service and review the trial scheme, including exploring ways to enhance competition in the public transport sector and among the franchisees, and make adjustments to the scheme where necessary.

### **Environmental implications**

8. The proposal only involves 600 franchised taxis under the trial scheme and hence, the additional roadside emission from these vehicles should be insignificant. To encourage the operators of franchised taxis to use more environmentally-friendly vehicles (including electric or hybrid vehicles), the Government will give higher score during tender assessment to bidders who would offer to use some environmentally-friendly vehicles in their franchised taxi fleets.

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<sup>1</sup> The Government commissioned a consultancy to conduct a telephone survey in May 2016 to gauge the public views on franchised taxi service. Over 70% of the respondents consider it reasonable for franchised taxis to charge higher fares. If the overall fares of franchised taxis will be 30% - 50% higher than that of ordinary taxis, around 9% of the respondents indicate that they will definitely use franchised taxi.

## **The Competition Commission's advice**

The Competition Commission's advice in relation to the franchised taxi proposal is set out below:

1. The Competition Commission (the **Commission**) has been asked to advise on the competition aspects of the Transport and Housing Bureau's (**THB**) proposal to introduce franchised taxi services (**FTS Proposal**). The core elements of that proposal are set out in a 17 March 2017 Legislative Council Panel on Transport discussion paper (**FTS Discussion Paper**).
2. There are several aspects of the FTS Proposal that the Commission considers raise specific competition concerns. These are set out in paragraphs 1 to 20. But most significantly, the Commission firmly believes that the FTS Proposal should not be considered in isolation of the current taxi licensing regime. As acknowledged by THB (see paragraph 5 of the FTS Discussion Paper), there has been "*strong public demand on enhancing the personalized point to point public transport services*". Structuring the FTS Proposal in such a way that it only facilitates a niche service for a small group of people does not seem to align with this clear public demand. An impetus for change in the taxi industry is clearly needed and we believe that suitable changes made to the FTS Proposal highlighted in this paper may go some way to achieve this. In addition, in paragraph 20, we set out three alternatives to the FTS Proposal which the Commission believes would be more pro-competitive and go further to address public demand for enhanced taxi services while meeting the Government's policy goals.

### **The FTS Proposal**

#### Fare level

3. Underlying the FTS Proposal is a surprising assertion that there is a demand for better quality service at *higher* fares. While there are likely to be some consumers who are less price sensitive about the taxi fare they are willing to



pay, it makes no economic (or common) sense to assume that they would demand higher fares. Everyone has an interest in receiving a higher quality service and if it could be obtained at a price level which a consumer considers to be a bargain, all the better.

4. The FTS Proposal proposes that the Government (artificially) sets the price that consumers are required to pay for franchised taxi services at 50% above the current price of licensed taxis. This rate is based on a survey which suggests 9% of people would be willing to pay that price for such services. The problem with this is that consumers will have no choice but to pay more for these franchised taxi services than if the Government allowed for the price to be set based on a competitive process. This is clearly not in the overall interest of consumers. The amount extra consumers will need to pay as a result of the Government setting the fare is currently unclear but can be expected to be consistent with the “franchise fee” offered by the successful franchise operators.
5. The Commission notes the taxi trade’s view that “*operators of franchised taxis should pay a franchise fee so as to maintain a fair competition in the taxi market*” (Paragraph 29 of the FTS Discussion Paper). This is a plain misunderstanding of what “fair competition” means.
6. Fair competition does not require the Government to ensure everyone charges the same amount, or those who provide a better service are forced to charge a fixed amount more than those who provide a worse service. The principle behind fair competition does not entail favouring or protecting the incumbents by imposing a franchise fee or tax on a new potential source of competition, or requiring them to set high prices to make it harder for them to compete. Instead, new franchise holders should be encouraged to compete and be provided the flexibility to offer a combination of low fares and high quality. A way in which this might be achieved is set out in paragraph 9 below. If a franchise taxi provider can offer a higher quality of service at the lowest possible price (which may even be below the price of existing taxis), this is a pro-competitive outcome that is in the interest of Hong Kong people. This should be the objective of the FTS Proposal.

7. Of course, if the franchised taxi service providers are able to provide a higher quality taxi service at a price close to the existing taxi services, those providing the current taxi services may find it harder to attract customers. The solution to this is to amend the ordinary taxi regime to either give taxi owners greater flexibility in setting their charges or reduce the flag fees to allow taxis to compete effectively. Licensed taxis could also seek to improve their service quality and reputation.
8. This in turn would have a likely impact on the value of taxi licences as owning an ordinary taxi licence would potentially be less profitable (although the effect is likely to be very small if the total number of franchised taxis is kept at 600). But “fair competition” does not require the Government to artificially increase the price that consumers pay for a service to protect investments or licences from declining in value in the face of competition.

#### Competition for franchise holders

9. One pro-competitive way to ensure the public are able to benefit from the FTS Proposal would be to use the level of fares proposed by franchise bidders as a criterion alongside quality of service. So that, if two parties are bidding to operate a franchise offering a similarly high level of service quality, the party intending to charge customers less would be successful. A competitive process would therefore be allowed to set the price of franchised taxi fares. This would provide a mechanism for competition on price to be a feature of the Hong Kong taxi market in a way that also ensures high quality and transparency. The Government would also be able to avoid acting as a price regulator.
10. While this approach might appear to result in fewer providers of franchised taxi services, there would be ways of designing the tender exercise so this could be addressed. Ultimately the key point is that consumer would be able to benefit from franchise operators competing vigorously on price. This approach would require measures to be taken to ensure subsequent

competition to win the franchise is equally vigorous. These are addressed in paragraph 17 below.

11. A possible concern about allowing the market to set the price of franchised taxi fares, or any increased role for competition to set prices, is that it would have a negative impact on taxi drivers. However, the terms on which taxi drivers would be employed could be introduced as either a requirement of winning a franchise or a criteria against which bids would be assessed. This would in turn put pressure on taxi licence holders to compete to retain drivers who may prefer to work for franchise holders who would be required to pay them generously. In addition, the extra franchised taxis will provide more employment opportunity for drivers. Although if the number of franchised taxis is kept low, the possibility of improved driver welfare will be minimal.
12. In so far as the Government is looking to raise funds through the operation of taxis, a tax could be levied across all providers of taxis both franchised and licensed. This could potentially be based on congestion (see paragraph 13 below) or emissions or other harmful externalities that the Government wishes to minimize.

#### Number of franchised taxis

13. The Commission fully understands the THB's concerns about increasing the total number of taxis might "*aggravate the road burden*". This issue has been the subject of a number of studies some of which are summarized in a June 2018 OECD paper - Taxi, ride-sourcing and ride-sharing services. This states:

One of the most cited arguments for quantitative restrictions on taxis is preventing congestion and pollution. This argument suggests that without quotas, the supply level will be higher than an optimum supply level, causing negative externalities such as pollution (OECD, 2007, pp. 23-24). This will depend on the substitutes that passengers use when they are unable to find a taxi. If majority of the passengers

switch to private vehicles the impact on pollution and congestion is likely to be negative. If they would switch to ride-pooling and ride-sharing services there is likely to be a positive impact on pollution and congestion (Alonso-Moraa et al., 2017).

Instead, there may be less intrusive options for addressing congestion and pollution. For instance Scheller (2017, p. 20) proposes other methods which aim at decreasing the unoccupied time of both taxis and for-hire vehicles including ride-sourcing cars. Other options can be the imposition of a congestion or pollution tax on each ride, improving public transport by focusing on end-to-end passenger experience, or regulating the traffic in specific locations suffering from congestion.

14. The FTS Paper gives no indication that the THB considered these studies or what the effect of increasing the number of taxis (but not licences) in Hong Kong would be. Instead we note that the justification for limiting the number of franchised taxis is the effect on demand for existing taxi services (see footnote 7 of paragraph 23).
15. Reference is made (in paragraph 23) to the concern that increased number of franchised taxis would “*adversely affect the development of ordinary taxis*” but the FTS Discussion Paper makes no reference to what that development is, or whether people would directly benefit from such development. It is not clear how the proposals for enhancing ordinary taxi services set out in paragraphs 34 to 40 of the FTS Discussion Paper are in any way related to the number of franchised taxis. Indeed paragraph 9 of the FTS Discussion Paper provides the “*the problem widely criticized by the public cannot be resolved within the existing taxi regime*”.
16. While the Commission understands that the FTS Proposal could benefit from being part of a trial scheme, the justification for specifying the 600 vehicle limit in legislation appears unnecessary. If franchised taxis are able to provide a higher quality of service at favourable market prices rather than those artificially set by the Government, then they are likely to be popular. In such circumstances, there are good reasons for reassessing the total

number of such vehicles to reflect demand. If the evidence suggests the current total number of taxis is appropriate, then the THB could also consider purchasing licences and using that capacity to provide greater number of franchised taxis.

### End of franchise competition

17. The FTS Discussion Paper does not address the concern that after the first round of competition, the incumbent franchise providers will become entrenched. This is a common concern with franchise arrangements. While there might be tenders every five years in practice the existing providers who own all the necessary assets and employ the drivers may be at such an advantage that the role of competition to drive ongoing innovation and higher quality of service will no longer apply.
18. These concerns can be addressed by strict end of franchise transition provisions that address what happens with the incumbent providers existing assets and potentially employees. The FTS Discussion Paper does not appear to address this point (including in annex 4) even though failing to do so could result in the franchised providers becoming similarly immune from competition to drive quality and efficiency as existing licensed providers.

### “Tips” or surge pricing

19. To deal with increased demand during peak hours, THB proposes to allow tipping through apps. Presumably this tip would need to be indicated in advance of the matching process otherwise it would have no influence on it. There would seem to be no restriction on the amount consumers might need to “tip” to get a franchised taxi at certain times. This appears to undermine the core justification for having a metered taxi system which is to prevent consumers being taken advantage of at peak times. While there are arguments on both sides of this issue, it seems strange that such a key feature of the FTS Proposal is left to be implied in annex 4.

## General Competition Related Concerns

20. The Commission has focused its comments on the FTS Proposal. However, we believe that innovation, most notably the widespread adoption of smart phones, and new forms of competition, warrant at least consideration of more wide-ranging reforms to the current taxi licensing regime. Several of the justifications for the existing taxi licensing regime no longer apply in the way they once did. Such reforms should look at providing more opportunity for ride hailing services to compete legally, albeit with necessary measures to protect the health and safety of drivers, passengers and other road users. While the Commission acknowledges that more dramatic change is not straightforward it will ultimately be required if Hong Kong people are to benefit from competition and innovation in taxi services that are evident in comparable cities around the world. By way of example some alternative approaches include:

- a. Providing for the introduction of a limited number of franchised taxis with some threshold service and quality requirement, but without setting the fare. Franchise holders could then respond to market demand in regard to the price and quality combination people are willing to pay.
  - b. As with (a) but in order to facilitate more competition on price and quality, the market could be left to decide the number of taxis each franchisee holds. This could be done by regularly auctioning off franchises. Although to avoid concentration, an upper bound could be set on the total number of taxis each franchisee could operate.
  - c. Introduce the variant of the FTS Proposal as discussed above but making the price offered in the franchised bid an upper-bound on the fare, with the franchises free to otherwise compete on price and services above some minimum threshold.
21. In addition, there is no indication in the FTS Discussion Paper that a competition impact assessment has been conducted by the THB on the FTS Proposal, nor is there an indication that it considered how the current licensing regime for taxis may be harming competition. There is a large

volume of studies and research, including in the OECD report referenced above, that provides a strong evidence base for policy makers to draw upon. The Commission does not underestimate the challenges of reform in this area, nor does it consider that the concerns of the taxi trade are not relevant, but it does believe that there are pro-competitive alternatives to how the FTS Proposal can be implemented that would achieve the Government's policy aims and should be explored.

22. The Commission is keen to provide whatever further assistance it can in this matter.

**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.