

**For discussion
on 15 March 2019**

Legislative Council Panel on Transport Taxi Fare Increase Applications

Purpose

This paper invites Members' views on the fare increase applications submitted by the taxi trade.

The Applications

2. The urban, New Territories ("NT") and Lantau taxi trade submitted applications to the Transport Department ("TD") in September 2018 for increasing their respective flagfall charges and subsequent incremental charges, as well as shortening the waiting time. The average rate of the proposed fare increase is 20.39% for urban taxis, 22.89% for NT taxis and 25.71% for Lantau taxis. Details are set out in the table below -

	Urban Taxis	NT Taxis	Lantau Taxis
	Flagfall charge for the first 2 kilometres ("km") or any part thereof		
Existing fare	\$24	\$20.5	\$19
<i>The trade's proposal</i>	\$30 (+\$6)	\$26.5 (+\$6)	\$26 (+\$7)
	Incremental charges after flagfall		
	<i>2-9 km</i>	<i>2-8 km</i>	<i>2-20 km</i>
Existing fare	\$1.7 per jump	\$1.5 per jump	\$1.5 per jump
<i>The trade's proposal</i>	\$1.9 per jump (+\$0.2)	\$1.7 per jump (+\$0.2)	\$1.8 per jump (+\$0.3)
	<i>After 9 km</i>	<i>After 8 km</i>	<i>After 20 km</i>
Existing fare	\$1.2 per jump	\$1.2 per jump	\$1.4 per jump
<i>The trade's proposal</i>	\$1.4 per jump (+\$0.2)	\$1.4 per jump (+\$0.2)	\$1.5 per jump (+\$0.1)
	Waiting time		
Existing arrangement	60 seconds		
<i>The trade's proposal</i>	45 seconds		

3. In addition, the three taxi trades applied for increasing the additional fare for every animal or bird carried, with the urban and NT taxi trades applied for an increase of \$1 (i.e. from \$5 to \$6) and the Lantau taxi trade applied for an increase of \$3 (i.e. from \$5 to \$8). The Lantau taxi trade also applied for increasing the additional fares for every article of baggage carried by \$2 (i.e. from \$6 to \$8), and every hiring arranged through telephone booking by \$3 (i.e. from \$5 to \$8).

Assessment Criteria

4. Taxis provide a personalised point-to-point public transport service. The Government has all along considered taxi fare increase applications in accordance with the following major criteria -

- (a) the need to ensure the financial viability of taxi operations, taking into consideration changes in revenue and operating costs;
- (b) the need to maintain an acceptable level of taxi service in terms of vehicle availability, passenger waiting time and passengers' feedback on service;
- (c) the need to maintain a reasonable differential between taxi fares and those of other public transport modes;
- (d) the public acceptability of the proposed fares; and
- (e) the taxi fare structure should be "front-loaded" and thereafter on a varying descending scale for incremental charges.

5. The scale of fares for hiring taxis is specified in Schedule 5 to the Road Traffic (Public Service Vehicles) Regulations (Cap. 374, sub. leg. D) ("Regulations"). Under section 7(1C) of the Road Traffic Ordinance (Cap. 374), the Chief Executive in Council may amend the Regulations to adjust the fares for hiring urban, NT and Lantau taxis. In assessing taxi fare increase applications, the Government will take into account the views of the Legislative Council ("LegCo") Panel on Transport and the Transport Advisory Committee before submitting its recommendations to the Chief Executive in Council. The relevant Amendment Regulation for implementing the new fares has to go through negative vetting by the LegCo.

Operation Status

Background of the Trade

6. At present, there are a total of 18 163 taxis, among which 15 250 are urban taxis, 2 838 are NT taxis and 75 are Lantau taxis. As at December 2018, about 60% are owned by individuals whilst the remaining by companies. Taxi trade mainly consists of rentee-drivers, rentor-owners and owner-drivers¹. According to the projection based on the results of questionnaires issued by the TD in August 2018, it is estimated that there are about 59 000 taxi drivers.

Operating Data and Prospect

7. The TD conducts regular taximeter reading surveys, as well as collects information on taxi drivers' income and operation through questionnaire surveys. Furthermore, the TD gathers data on taxi operating costs from taxi owners and taxi trade associations through questionnaire surveys². The TD also obtains the price of Liquefied Petroleum Gas ("LPG") from the LPG suppliers.

8. The fares for urban, NT and Lantau taxis were last increased in April 2017 by an average rate of 9.98%, 11.15% and 8.60% respectively. There was an increase in real terms after netting off inflation in the average monthly net income of rentee-drivers of urban, NT and Lantau taxis in the first 12-month period after the last fare increase (i.e. second quarter of 2017 – first quarter of 2018), as compared with that in the 12-month period before the last fare increase (i.e. second quarter of 2016 – first quarter of 2017), but the extent was not significant, ranging from 1.85% to 4.14%. For owner-drivers, there was a drop in the monthly net income of urban drivers (-0.59%), and a slight increase in that of NT and Lantau drivers, amounting to 2.12% and 0.94% respectively. There was a drop in the average monthly net income of all rentor-owners, ranging from -0.82% to -6.66%. Details are set out in the table below –

¹ Rentee-drivers hire taxis from taxi owners. Owner-drivers own and drive the taxis themselves; some also rent their taxis out to rentee-drivers for one shift. Rentor-owners do not drive their taxis but rent them out to rentee-drivers.

² Apart from gathering data on taxi operating costs (including rental, maintenance fee and insurance fee) through questionnaire surveys, the TD also makes reference to the vehicle mileage obtained from taximeter reading surveys to project the fuel cost.

	Average monthly net income		Change in percentage (i.e. (b) compared with (a))	
	Q2 2016 – Q1 2017 (a)	Q2 2017 – Q1 2018 (b)	Change in nominal terms	Change in real terms after netting of inflation ³
Rentee-driver				
Urban	\$17,563	\$18,648	+6.18 %	+4.14 %
NT	\$15,737	\$16,643	+5.76 %	+3.73 %
Lantau	\$17,924	\$18,613	+3.84 %	+1.85 %
Owner-driver				
Urban	\$30,799	\$31,215	+1.35 %	–0.59 %
NT	\$24,473	\$25,481	+4.12 %	+2.12 %
Lantau	\$25,609	\$26,356	+2.92 %	+0.94 %
Rentor-driver				
Urban	\$13,668	\$13,007	–4.83 %	–6.66 %
NT	\$ 8,206	\$ 8,298	+1.12 %	–0.82 %
Lantau	\$ 7,642	\$ 7,699	+0.75 %	–1.18 %

The data of the respective operating costs and revenue of the three types of taxis is set out at **Annex**.

9. While the above information shows that there was an increase in real terms after netting off inflation in the average monthly net income of rentee-drivers in the first 12-month period after the last fare increase, the extent of the increase was mild, mainly because the drivers' monthly net income has been partially offset by the increase in fuel costs⁴. It is

³ As compared with the period between the second quarter of 2016 and the first quarter of 2017, the Composite Consumer Price Index, which measures inflation in the consumer domain, rose by 2.0% in the period between the second quarter of 2017 and the first quarter of 2018.

⁴ The average LPG ceiling prices at dedicated LPG filling stations are \$2.83 per litre in the period between the second quarter of 2016 and the first quarter of 2017, and \$3.37 per litre in the period between the second quarter of 2017 and the first quarter of 2018, representing an increase of about 19%.

expected that upside risks of fuel costs will persist in the period ahead⁵. Inflation is also expected to persist, although the magnitude will be mild⁶. The risk of rising costs will inevitably lead to a drop in the real income of rentee-drivers. As the new fares have to go through legislative procedures, they can only take effect in the second half of 2019 the earliest, which will be about more than two years since the last fare increase in April 2017.

10. The average monthly net income of rentee-drivers in the first 12-month period after the last fare increase (i.e. second quarter of 2017 to first quarter of 2018) is around \$16,600 to \$18,600. According to the information provided by the Census and Statistics Department, the average monthly salary of the transport trade has reached \$21,714 in the third quarter of 2018. Comparatively speaking, it is indeed difficult for the taxi trade to attract new blood. Furthermore, 80% of the taxi drivers at present are aged 50 years or above, and the average age is 59 years old. Meanwhile, the taxi service quality is of public concern⁷. The trade hopes that through increasing drivers' income, new blood will be attracted to join the industry and the trade will be encouraged to improve their service and invest more in new facilities, so as to enhance the overall taxi service quality.

11. In respect of taxi rental, it has been a commercial arrangement between owners and drivers in free market. The rental changes according to the supply and demand in the market. The rental level of individual vehicles will also be affected by factors including vehicle models, age and maintenance, etc. We understand that if the fares are adjusted, vehicle owners will normally observe the changes in business and revenue after the fare adjustment, before discussing with driver groups on the rental adjustment having regard to the actual situation. As regards the current fare increase applications, while the net income of

⁵ The spot price of Brent Crude oil increased from US\$48.2 per barrel in end-June 2017 to US\$86.1 per barrel in early October 2018, although it was once dropped to US\$49.7 per barrel in end-December 2018 and then increased to US\$66.7 per barrel in mid-February this year. As at 25 February this year, the spot price was US\$64.3 per barrel. The one-year future price has increased from US\$51.0 per barrel in end-June 2017 to US\$64.0 per barrel in end-February this year.

⁶ As compared with the period between the second quarter of 2016 and the first quarter of 2017, the Composite Consumer Price Index, which measures inflation in the consumer domain, rose by 2.0% in the period between the second quarter of 2017 and the first quarter of 2018.

⁷ According to the information of the Transport Complaints Unit of the Transport Advisory Committee, the number of complaints on taxi service slightly increased in the past two years, which were 10 759 cases in 2017 and 11 000 cases in 2018.

rentor-owners dropped because of the increasing maintenance and insurance costs, we understand that some owners have already indicated that they will first observe the situation of drivers' income for about three to six months, and they will then decide whether or not to adjust the rental having regard to the circumstances. In fact, the trade has not increased the rental significantly since the last fare increase in April 2017, and the net income of rentee-drivers has increased.

12. In considering the fare increase applications, the Government will consider the various criteria set out in paragraph 4 above and take into account the views of this Panel and the Transport Advisory Committee. We will carefully process the applications with a view to ensuring the long-term healthy development of the taxi trade and being mindful of the acceptability of the public.

Enhancing Taxi Service Quality

13. The Government understands that the community in general is concerned about the taxi service quality, and the trade also agrees that the services could be improved. To strengthen its interaction and cooperation with the taxi trade and other stakeholders, the TD established the Committee on Taxi Service Quality ("CTSQ") in January 2018, which serves as a multi-party platform for discussing various strategies and measures to drive changes to enhance the service quality of existing taxis. Further to our report to this Panel in July 2018, the TD, in collaboration with the CTSQ, took forward a series of measures. On public education, the TD published and updated the "Hong Kong Taxi Service Standard" and the "Hong Kong Taxi Service Guidelines", which set out the conduct and performance expected of taxi drivers. The TD also launched a series of online training courses for in-service taxi drivers⁸, and an enhanced "Taxi Driver Commendation Scheme"⁹ to recognise taxi drivers with outstanding service quality so as to enhance the professional

⁸ The online training courses cover topics such as effective communication skills between drivers and passengers, conflict handling methods and knowledge on barrier-free facilities. To encourage active participation of taxi drivers in the training course, participants may schedule an appointment free-of-charge to sit for an examination arranged by the TD, upon completion of the online course. Those completing the course and passing the examination will be awarded with a certificate by the TD for commendation.

⁹ The TD launched the enhanced "Taxi Driver Commendation Scheme" in October 2018, and organized a prize presentation ceremony in January 2019. During the nomination period, the TD received more than 200 nominations, of which 10 drivers were selected as "Quality Taxi Driver" to recognise their outstanding performance in providing assistance to wheelchair passengers, identifying lost properties, displaying good driving and customer service attitude and being active in charitable affairs, etc.

image of taxi drivers. Meanwhile, the TD has enhanced its mechanism for handling complaints relating to taxi service, with a view to taking actions against drivers who are the subjects of repeated complaints and assisting the taxi trade in setting up a system for self-monitoring and regulation. The TD and the CTSQ have also encouraged the trade to leverage on technology to enhance the operational efficiency and service quality, such as setting up or integrating the taxi hailing application platforms.

14. Furthermore, in response to the requests from the community and feedback from the taxi trade, the Government plans to introduce legislative amendments to raise the penalty levels for various taxi drivers' malpractices in 2019, including (i) the introduction of a two-tier penalty system for taxi driver-related offences of a more serious nature such that heavier maximum penalties will be imposed on repeat offenders; (ii) the introduction of a Taxi Driver-Offence Points System such that taxi driver who has repeatedly committed various taxi driver-related offences will be subject to disqualification from driving taxis for a certain period of time; and (iii) updating some of the existing taxi driver-related offence provisions to ensure that they reflect and suit the present circumstances. In parallel, the Government has committed to the introduction of franchised taxis. We are working on the legislative proposals, with a view to introducing into the Legislative Council a bill on franchised taxi within the 2018-19 legislative year.

15. In recent years, the taxi trade has also been taking forward new measures on its own initiative, with a view to improving service quality. The Hong Kong Taxi Council ("Council") which is formed by 17 taxi trade associations has been conducting surveys on taxi service quality since the second quarter of 2017, so as to understand passengers' comments on taxi vehicle design, professional attitude and roadside ancillary facilities, etc. The Council has collaborated with the Employees Retraining Board to provide re-training courses for in-service drivers with a view to improving drivers' service quality, and has also organised pre-service skill training courses to assist new-entrant drivers in mastering operational skills. The Council has also planned to launch a mobile application for hailing taxi service in the first half this year. Passengers may call taxis through the application, and give rating and comment on drivers' service performance. Furthermore, as a major supplier will progressively introduce a new model of wheelchair-accessible hybrid taxi starting from the first quarter this year, the trade also strives to replace their vehicles and improve compartment facilities (e.g. equipped with larger compartment space and better facilities) with a view to enhancing the riding experience of passengers.

Advice Sought

16. Members are invited to comment on the fare increase applications set out in paragraphs 2 and 3 above, to facilitate the Government's further consideration of the applications.

Transport and Housing Bureau
Transport Department
March 2019

**Monthly average operating revenue, costs and net income of
taxi operators in the period between
the second quarter of 2016 and the first quarter of 2018**

Operating data of urban taxis

	Rentee-driver	Owner-driver	Rentor-owner
(a) Average monthly operating revenue			
Q2 2016 - Q1 2017	\$31,622	\$42,469	\$21,637
Q2 2017 - Q1 2018	\$33,326	\$44,173	\$21,637
<i>Change over Q2 2016 - Q1 2017¹</i>	+5.4 %	+4.0 %	±0 %
<i>(Change in real terms after netting off inflation²)</i>	(+3.4 %)	(+2.0%)	(-1.9%)
(b) Average monthly operating costs³			
Q2 2016 - Q1 2017	\$14,059	\$11,670	\$7,969
Q2 2017 - Q1 2018	\$14,678	\$12,958	\$8,630
<i>Change over Q2 2016 - Q1 2017</i>	+4.4%	+11.0 %	+8.3 %
<i>(Change in real terms after netting off inflation)</i>	(+2.4%)	(+8.9%)	(+6.2%)
(c) Average monthly net income			
Q2 2016 - Q1 2017	\$17,563	\$30,799	\$13,668
Q2 2017 - Q1 2018	\$18,648	\$31,215	\$13,007
<i>Change over Q2 2016 - Q1 2017</i>	+6.2%	+1.4%	-4.8%
<i>(Change in real terms after netting off inflation)</i>	(+4.1%)	(-0.6%)	(-6.7%)

¹ This is the nominal change (i.e. without taking into account inflation) compared with the average monthly operating figures of the period between the second quarter of 2017 and the first quarter of 2018 (i.e. the first 12 months following the last fare increase).

² As compared with the period between the second quarter of 2016 and the first quarter of 2017, the Composite Consumer Price Index, which measures inflation in the consumer domain, rose by 2.0% in the period between the second quarter of 2017 and the first quarter of 2018.

³ For rentee-drivers, their monthly operating costs comprise fuel and rental.
For owner-drivers, their monthly operating costs comprise fuel, vehicle maintenance, insurance, depreciation and miscellaneous items like licence fees.
For rentor-owners, their monthly operating costs comprise vehicle maintenance, insurance, depreciation and miscellaneous costs such as licence fees.

Operating data of NT taxis

	Rentee-driver	Owner-driver	Rentor-owner
(a) Average monthly operating revenue			
Q2 2016 - Q1 2017	\$26,865	\$34,795	\$15,860
Q2 2017 - Q1 2018	\$28,846	\$37,166	\$16,640
<i>Change over Q2 2016 - Q1 2017</i>	+7.4%	+6.8%	+4.9%
<i>(Change in real terms after netting off inflation)</i>	(+5.3%)	(+4.8%)	(+2.9%)
(b) Average monthly operating costs			
Q2 2016 - Q1 2017	\$11,128	\$10,322	\$7,654
Q2 2017 - Q1 2018	\$12,203	\$11,685	\$8,342
<i>Change over Q2 2016 - Q1 2017</i>	+9.7%	+13.2%	+9.0%
<i>(Change in real terms after netting off inflation)</i>	(+7.6%)	(+11.0%)	(+6.9%)
(c) Average monthly net income			
Q2 2016 - Q1 2017	\$15,737	\$24,473	\$8,206
Q2 2017 - Q1 2018	\$16,643	\$25,481	\$8,298
<i>Change over Q2 2016 - Q1 2017</i>	+5.8%	+4.1%	+1.1%
<i>(Change in real terms after netting off inflation)</i>	(+3.7%)	(+2.1%)	(-0.8%)

Operating data of Lantau taxis

	Rentee-driver	Owner-driver	Rentor-owner
(a) Average monthly operating revenue			
Q2 2016 - Q1 2017	\$30,312	\$38,875	\$17,126
Q2 2017 - Q1 2018	\$32,574	\$41,480	\$17,812
<i>Change over Q2 2016 - Q1 2017</i>	+7.5%	+6.7%	+4.0%
<i>(Change in real terms after netting off inflation)</i>	(+5.4%)	(+4.7%)	(+2.0%)
(b) Average monthly operating costs			
Q2 2016 - Q1 2017	\$12,388	\$13,266	\$9,484
Q2 2017 - Q1 2018	\$13,961	\$15,124	\$10,113
<i>Change over Q2 2016 - Q1 2017</i>	+12.7%	+14.0%	+6.6%
<i>(Change in real terms after netting off inflation)</i>	(+10.5%)	(+11.8%)	(+4.6%)
(c) Average monthly net income			
Q2 2016 - Q1 2017	\$17,924	\$25,609	\$7,642
Q2 2017 - Q1 2018	\$18,613	\$26,356	\$7,699
<i>Change over Q2 2016 - Q1 2017</i>	+3.8%	+2.9%	+0.7%
<i>(Change in real terms after netting off inflation)</i>	(+1.9%)	(+0.9%)	(-1.2%)