

**For discussion
on 12 April 2024**

Legislative Council Panel on Transport

Taxi Fare Increase Applications

Purpose

The Government is considering the fare increase applications submitted by the taxi trade earlier. This paper invites the views of Members.

Taxi Fare Increase Applications

2. The urban, New Territories (“NT”) and Lantau taxi trades reached a consensus on fare increase applications¹ in March 2023 for increasing the flagfall charges and subsequent incremental charges. The urban taxi trade also asked for shortening the waiting time. The average rates of the proposed fare increase are 16.95% for urban taxis, 15.37% for NT taxis and 11.68% 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	\$27	\$23.5	\$22
<i>The trade’s proposal</i>	\$32 (+\$5)	\$28 (+\$4.5)	\$28 (+\$6)

¹ Different taxi associations had submitted various fare increase proposals to the Transport Department (“TD”) between November 2022 and January 2023. They later informed the TD in March 2023 that the above was the proposal agreed by the trade.

	Urban Taxis	NT Taxis	Lantau Taxis
	Incremental charges after flagfall		
	<i>2-9 km</i>	<i>2-8 km</i>	<i>2-20 km</i>
Existing fare	\$1.9 per jump	\$1.7 per jump	\$1.7 per jump
<i>The trade's proposal</i>	\$2.1 per jump (+\$0.2)	\$1.9 per jump (+\$0.2)	\$1.8 per jump (+\$0.1)
	<i>After 9 km</i>	<i>After 8 km</i>	<i>After 20 km</i>
Existing fare	\$1.3 per jump	\$1.3 per jump	\$1.5 per jump
<i>The trade's proposal</i>	\$1.5 per jump (+\$0.2)	\$1.5 per jump (+\$0.2)	\$1.7 per jump (+\$0.2)
	Waiting time		
Existing arrangement	60 seconds		
<i>The trade's proposal</i>	<i>45 seconds</i>	<i>Unchanged</i>	

3. In addition, the urban and NT taxi trades applied for an increase in additional fare of \$1 for every article of baggage carried (i.e. from \$6 to \$7) and \$2 for every animal or bird carried (i.e. from \$5 to \$7). As for the Lantau taxi trade, it applied for an increase in additional fare of \$2 for every article of baggage carried (i.e. from \$6 to \$8), \$3 for every animal or bird carried (i.e. from \$5 to \$8), and \$3 for every hiring arranged through telephone booking (i.e. from \$5 to \$8).

Assessment Criteria

4. According to the established policy, the TD considers the taxi trade's fare increase applications in accordance with the following five key criteria:

- (a) the need to ensure the financial viability of taxi operation, 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) public acceptability of the proposed fares; and
- (e) 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. 374D) (“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. When assessing taxi fare increase applications, the Government will make prudent assessment according to the criteria set out in paragraph 4 above and take into account the views of the Legislative Council (“LegCo”) Panel on Transport and the Transport Advisory Committee (“TAC”) 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 end-January 2024, about 59% of taxis are owned by individuals whilst the remaining are owned by companies. The taxi trade mainly consists of rentee-drivers, rentor-owners and owner-drivers².

² 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.

Operating Data and Prospect

7. The TD conducts regular taximeter reading surveys, obtains the price of Liquefied Petroleum Gas (“LPG”) from the LPG suppliers, and collects information on taxi drivers’ operation through questionnaire surveys. Furthermore, the TD gathers taxi operating data from taxi owners and trade associations through questionnaire surveys³.

8. After the last taxi fare increase⁴, taxi operation had still been affected by the epidemic for certain months and the overall public transport patronage only gradually recovered since the re-opening of the border with the Mainland in February 2023. In view of this, we consider it inappropriate to compare the operation in 2023 with that of 2022. In analysing the taxi operating data below, comparisons are made between the 2019 (i.e. pre-epidemic) and 2023 situation so as to reflect more accurately the actual operation status of the taxi trade at present.

9. According to the latest taxi operating data, after netting off inflation, the average monthly net income of rentee-drivers of urban and NT taxis in 2023 increased slightly in real terms compared with that in 2019, while that of rentee-drivers of Lantau taxis slightly decreased. As for taxi owners, after netting off inflation, the average monthly net income of owner-drivers and rentor-owners in 2023 substantially decreased compared with that in 2019. Details are tabulated below -

³ Apart from gathering data on taxi operation (including taxi rental, maintenance fee, administration fee, etc.) through questionnaire surveys, the TD also makes reference to the vehicle mileage obtained from taximeter reading surveys to project the fuel cost.

⁴ The fares for urban, NT and Lantau taxis were last increased in July 2022 by the average rates of 11.54%, 13.02% and 13.83% respectively.

	Average monthly net income		Change in percentage (i.e. (b) compared with (a))	
	2019 (a)	2023 (b)	Change in nominal terms	Change in real terms after netting off inflation ⁵
Rentee-driver				
Urban	\$19,359	\$21,767	+12.4%	+6.2%
NT	\$17,872	\$19,079	+6.8%	+0.8%
Lantau	\$20,283	\$20,896	+3.0%	-2.7%
Owner-driver				
Urban	\$30,638	\$28,296	-7.7%	-12.8%
NT	\$25,817	\$24,686	-4.4%	-9.7%
Lantau	\$28,900	\$27,570	-4.6%	-9.9%
Rentor-owner				
Urban	\$11,740	\$6,429	-45.2%	-48.3%
NT	\$7,380	\$4,437	-39.9%	-43.2%
Lantau	\$8,569	\$6,105	-28.8%	-32.7%

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

10. In comparison with 2019, after netting off inflation, the daily meter revenue of rentee-drivers of urban and NT taxis increased by about 0.5% to 1.1% in 2023, while that of rentee-drivers of Lantau taxis dropped by about 5%. As for cost expenses, the fuel cost in 2023 increased by about 19% to 35% as compared with that of 2019, whereas taxi rental decreased by about 2% to 12%. In sum, as compared with 2019, after netting off inflation, the average monthly net income of rentee-drivers of urban and NT taxis increased by about 6.2% and 0.8% respectively in 2023, while that of rentee-drivers of Lantau taxis dropped by about 2.7%. In terms of absolute value, the average monthly net income of rentee-drivers in 2023 was around \$19,100 to \$21,800, which was lower than the average monthly salary of the transport trade in the fourth quarter of 2023 (i.e. \$24,800) as announced by the Census and Statistics Department.

⁵ As compared with 2019, the Composite Consumer Price Index, which measures inflation in the consumer domain, rose by 5.9% in 2023.

11. As for taxi owners, the operating expenses in 2023 have risen significantly from the 2019 level, including a surge of nearly 60% in insurance premiums and an average increase of about 30% in repair and maintenance fees. This has greatly increased the operating costs and financial burden of taxi owners. On the other hand, to avoid idling of taxis, taxi owners could only rent out their taxis at rates lower than those of 2019⁶. The surging operating costs, coupled with shrinking rental income, led to a plunge in the average monthly net income (after netting off inflation) of rentor-owners and owner-drivers in 2023 as compared with that in 2019. The average monthly net income of rentor-owners and owners-drivers decreased by about 33% to 48% and 10% to 13% respectively. As shown from the data, the taxi trade may find it difficult to maintain the financial viability of their operation at the current taxi fare level.

12. There are concerns about how taxi rental will change after adjustment of taxi fares. Taxi rental has all along been a commercial arrangement between owners and drivers under a free market. The rental level fluctuates with the market supply and demand, and factors such as vehicle types, age and maintenance condition will also affect the rental level of individual taxis. Generally, taxi owners will observe the changes in business and drivers' income during the initial period of taxi fare adjustment, before discussing rental adjustment with drivers' groups having regard to the actual market situation. Take the last taxi fare increase as an example, although taxi owners gradually raised the taxi rental after the fare increase in July 2022, the rental has not yet resumed to the 2019 level to date. This showed that in adjusting taxi rental, the taxi owners would consider relevant factors including the acceptability of drivers, manpower supply in the trade, etc.

13. When considering the fare increase applications, the Government will take into account the criteria set out in paragraph 4 above, as well as the views of the LegCo Panel on Transport and the TAC, and perform its gatekeeping role, with a view to striking a balance between maintaining the financial viability of taxi operation and public acceptability. We will consult the Executive Council

⁶ In 2023, the average rental for urban, NT and Lantau taxis were about 88%, 98% and 94% of the 2019 level respectively.

on the legislative proposals for fare increase before submitting them to the LegCo for scrutiny.

Enhancing Taxi Service Quality

14. In view of the expectation of the general public and the situation of the taxi trade, the Government earlier reviewed the overall taxi operation and management, and launched a series of measures to enhance the overall quality of personalised point-to-point transport services. Such measures include introducing a taxi fleet regime, increasing the maximum passenger seating capacity of taxis from five to six, introducing a Taxi-Driver-Offence Points (“TDOP”) system and a two-tier penalty system for certain taxi-driver-related offences, etc. The relevant bills were passed by the LegCo in mid-December 2023 and gazetted on 22 December 2023.

15. Among the aforesaid measures, the taxi fleet regime is a new regulatory regime, under which taxi owners may assemble existing taxis to form fleets and apply to the TD for a Taxi Fleet Licence. The TD will monitor the performances of fleet licensees through statutory requirements and licence conditions, and require them to fulfill various requirements on fleet taxis and drivers, such as installing driving safety enhancing devices and passenger facilities on fleet taxis, providing online booking channels and arranging pre-service training for taxi drivers. The TD is actively carrying out the preparatory work, and plan to invite the trade to apply for Taxi Fleet Licences in April 2024 and announce the results in mid-2024. Taking into account the time needed for setting up a taxi fleet, which involves purchasing vehicles and carrying out necessary modifications, recruiting staff and training drivers, procuring insurance and so forth, we will require taxi fleet operators to commence operation in not more than 12 months after the grant of Taxi Fleet Licences (i.e. no later than mid-2025). We will proactively encourage and assist the trade to form their fleets and commence operation as early as practicable.

16. As for other measures, with the increase of the maximum passenger seating capacity of a taxi to six, the TD learnt that some members of the trade had already made plans to introduce six-passenger seater taxis so as to enhance the comfort of the vehicles and the riding experience of passengers. On stepping up

efforts to combat taxi drivers' malpractices, the two-tier penalty system which targets at four offences that are of a more serious nature (covering overcharging, two offences relating to refusal to accept a hire, as well as defacing, damaging or altering a taximeter) is already in force⁷, and the TDOP system will take effect on 22 September this year⁸. These two measures will help combat the black sheep in the trade, thereby improving the overall image and service quality of the taxi trade.

17. During the scrutiny of the taxi-related bills by the LegCo last year, some Members opined that the Government should further consider requiring all taxis in Hong Kong to be installed with camera system in the compartment, so as to better safeguard the rights of taxi drivers and passengers in case of disputes, as well as facilitate law enforcement and evidence collection by the Police. In this connection, we have commenced a feasibility study, and plan to consult the taxi trade within this year with a view to reaching a consensus on whether this mandatory measure should be implemented.

Improving Driving Safety of Taxis

18. As mentioned above, taxi insurance premiums increased sharply between 2019 and 2023. The underwriting decisions and determination of the premium level are made by the insurance companies based on commercial principles in entering into policy contracts with the policyholders and through adjustments in the free market. Premium levels of taxi insurance reflect the risk associated with underwriting taxi business, which are affected by factors including taxi accident rates, claims history, etc. The underwriting loss recorded in the taxi insurance business over the years reflects a mismatch between underwriting risks and premium levels.

⁷ The two-tier penalty system took immediate effect upon gazettal of the relevant ordinance on 22 December 2023.

⁸ Before the commencement of the TDOP system, the TD will further explain in detail the implementation details of the legislation to the taxi trade, so as to facilitate the trade in grasping the operation of the TDOP system.

19. The Sixth LegCo formed a Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector (“the Subcommittee”) in January 2021 to explore the problems encountered by the taxi trade when procuring motor insurance and suggest the taxi trade to adopt measures to strengthen the management of taxis and improve driving safety of taxi drivers. To promote the work in this respect, the Government and the Insurance Authority have been following up on the implementation of the Subcommittee’s recommendations and actively meeting with representatives of the taxi trade and insurance sector to discuss issues relating to the application of technology to improve the risk management of taxis, etc. The Government has also been supportive of the taxi trade in enhancing the safety standard of their services and improving management quality, so as to reduce the risks associated with underwriting taxi insurance at source. It is understood that at present, there are insurance companies offering discounts on insurance premiums and lower deductibles, etc., so as to encourage taxis to adopt technological devices in enhancing driving safety and report drivers’ information and so forth.

20. Moreover, upon the official launch of the taxi fleet regime, the professional fleet management of fleet taxis, together with the installation of safety-related devices (including global positioning system, dash cameras and safety devices that monitor drivers’ driving performance) on fleet taxis by fleet operators, should be conducive to reducing traffic accidents at source. The Government also believes that fleet taxis would set a leading and exemplary role in the trade, thereby encouraging more taxis to apply technology to improve driving safety and creating room for reduction in premiums and improvement in the operation of taxis.

Advice Sought

21. After all, to improve the operation of the taxi trade, the crux is to enhance taxi service quality and increase passengers’ confidence in taking taxis, and more importantly, to change the negative image of taxis held by some members of the public, thereby increasing the patronage and attracting more newcomers to join the industry. While adjustment of taxi fares will certainly help alleviate the financial burden faced by the trade now, it is imperative for the trade to actively participate in forming taxi fleets and to enhance management

quality and driving safety, in order to be conducive to the healthy development of the taxi trade in the long run. 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 Logistics Bureau

Transport Department

April 2024

**Average monthly operating revenue, costs and net income of
taxi operators in 2019 and 2023**

Operating data of urban taxis

	Rentee-driver	Owner-driver	Rentor-owner
(a) Average monthly operating revenue			
2019	\$33,500	\$43,976	\$20,941
2023	\$35,641	\$44,854	\$18,421
<i>Change over 2019¹</i>	+6.4%	+2.0%	-12.0%
<i>(Change in real terms after netting off inflation²)</i>	(+0.5%)	(-3.7%)	(-17.0%)
(b) Average monthly operating costs³			
2019	\$14,141	\$13,338	\$9,201
2023	\$13,874	\$16,558	\$11,992
<i>Change over 2019</i>	-1.9%	+24.1%	+30.3%
<i>(Change in real terms after netting off inflation)</i>	(-7.4%)	(+17.2%)	(+23.1%)
(c) Average monthly net income			
2019	\$19,359	\$30,638	\$11,740
2023	\$21,767	\$28,296	\$6,429
<i>Change over 2019</i>	+12.4%	-7.7%	-45.2%
<i>(Change in real terms after netting off inflation)</i>	(+6.2%)	(-12.8%)	(-48.3%)

¹ This is the nominal change (i.e. without taking inflation into account) as compared with the average monthly operating data in 2019.

² As compared with 2019, the Composite Consumer Price Index, which measures inflation in the consumer domain, rose by 5.9% in 2023.

³ For rentee-drivers, their monthly operating costs comprise fuel cost and taxi rental. For owner-drivers, their monthly operating costs comprise fuel cost, vehicle maintenance, administration fee, insurance, depreciation and miscellaneous costs like licence fee. For rentor-owners, their monthly operating costs comprise vehicle maintenance, administration fee, insurance, depreciation and miscellaneous costs like licence fee.

Operating data of New Territories taxis

	Rentee-driver	Owner-driver	Rentor-owner
(a) Average monthly operating revenue			
2019	\$29,667	\$37,728	\$16,121
2023	\$31,766	\$39,681	\$15,823
<i>Change over 2019</i>	+7.1%	+5.2%	-1.9%
<i>(Change in real terms after netting off inflation)</i>	(+1.1%)	(-0.7%)	(-7.3%)
(b) Average monthly operating costs			
2019	\$11,795	\$11,911	\$8,741
2023	\$12,687	\$14,995	\$11,386
<i>Change over 2019</i>	+7.6%	+25.9%	+30.3%
<i>(Change in real terms after netting off inflation)</i>	(+1.6%)	(+18.9%)	(+23.0%)
(c) Average monthly net income			
2019	\$17,872	\$25,817	\$7,380
2023	\$19,079	\$24,686	\$4,437
<i>Change over 2019</i>	+6.8%	-4.4%	-39.9%
<i>(Change in real terms after netting off inflation)</i>	(+0.8%)	(-9.7%)	(-43.2%)

Operating data of Lantau taxis

	Rentee-driver	Owner-driver	Rentor-owner
(a) Average monthly operating revenue			
2019	\$34,928	\$44,873	\$19,320
2023	\$35,140	\$44,489	\$18,162
<i>Change over 2019</i>	+0.6%	-0.9%	-6.0%
<i>(Change in real terms after netting off inflation)</i>	<i>(-5.0%)</i>	<i>(-6.4%)</i>	<i>(-11.2%)</i>
(b) Average monthly operating costs			
2019	\$14,645	\$15,973	\$10,751
2023	\$14,244	\$16,919	\$12,057
<i>Change over 2019</i>	-2.7%	+5.9%	+12.1%
<i>(Change in real terms after netting off inflation)</i>	<i>(-8.2%)</i>	<i>(0%)</i>	<i>(+5.9%)</i>
(c) Average monthly net income			
2019	\$20,283	\$28,900	\$8,569
2023	\$20,896	\$27,570	\$6,105
<i>Change over 2019</i>	+3.0%	-4.6%	-28.8%
<i>(Change in real terms after netting off inflation)</i>	<i>(-2.7%)</i>	<i>(-9.9%)</i>	<i>(-32.7%)</i>