

Lantau and Urban Taxi Fare Adjustment Applications
Transport Advisory Committee's advice

This letter sets out Transport Advisory Committee's advice to the Chief Executive in Council ("CE-in-Council") on the fare increase applications of Lantau and urban taxis.

In advising on the taxi fare increase applications, TAC has taken into account the following guiding principles -

- (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 taxi availability, passenger waiting time and feedback from passengers;
- (c) the need to maintain a reasonable differential between taxi fares and those of other public transport modes;
- (d) the likely public acceptability of the proposed fares; and
- (e) taxi fare structure should be "front-loaded" and thereafter on a varying descending scale of incremental charges, as recommended by TAC in its Report on the Review of Taxi Operation issued on 5 June 2008.

Members noted that there had been substantial increase in the operating costs of both the Lantau and urban taxi trades in recent years, exerting considerable pressure on their operating conditions. The average monthly net income of urban and Lantau taxi drivers in the first quarter of 2008 were lower than in 2004 (the year of full conversion to LPG mode) in real terms and their income is expected to continue to decrease at the existing fares as operating costs continue to rise in line with the general inflation.

On Lantau taxis' application, the average fare increase rate is 9.17%. TAC considers that this proposed rate of fare increase is on the high side having regard to public acceptability and changes in the revenue and operating costs of Lantau taxis. Members were advised that the trip distribution records show

that the vast majority of the trips are for a distance of less than 20 km. TAC agrees that the dividing line of 20 km proposed by the trade for the descending scale for incremental charge is appropriate. The flagfall rate of \$15 applied for however is too high and a modest increase of \$1 from \$12 as recommended by the Administration would be more acceptable to the passengers. Members were of the view that the Administration's recommended option, which represents an average fare increase rate of 7.67%, provides a better balance between the interests of the taxi trade and that of the passengers and is to be preferred.

As regards urban taxi, members noted that the two applications received from the urban taxi associations represented an average rate of fare increase of 4.64% and 6.69%. The corresponding average rate of fare increase when the \$1 increase in flagfall charge implemented in February 2008 is included would be 7% and 9.1%. The only difference between these two applications is the dividing line adopted for the descending scale of incremental charge, one at 8 km and the other 11 km.

The Administration recommended that the proposed increase for the flagfall charge of \$18 be accepted. Members were of the view that the increase was reasonable and would be acceptable to the passengers. The incremental charges applied for is in line with the descending scale principle set out in TAC's Report on the Review of Taxi Operation, and members were of the view that this would generally be accepted by the public. The Administration further advised that the vast majority of the trips have been for a travelling distance of less than 9 km. It recommended that 9 km be adopted as the dividing line for the incremental charge. If that is adopted, Members noted that the taxi fare would be lower than the existing fare when the trip distance exceeded about 14 km.

Under the Administration's recommended option, the average fare increase rate is 5.46%, or 7.8% if the \$1 flagfall increase implemented in February 2008 is included. Members were of the view that this option is more appropriate than the two proposals.

The average fare increase of 7.67% for Lantau taxis and 7.8% for urban taxis is, in TAC's view, reasonable as well as comparable. In the premises, having taken into account all the relevant circumstances and information

provided, TAC supports the Administration's recommended options for urban and Lantau taxi fare adjustment.

I would be grateful if you would kindly convey TAC's advice to the CE-in-Council for consideration. TAC's advice may be released for public information in due course after the Council's decision is announced.
