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For Immediate Release

Competition Commission Submits Views to Legislative Council on the Franchised Taxi Services Bill

The Competition Commission (Commission) has made a submission (Submission) to the Bills Committee of the Legislative Council on the “Franchised Taxi Services Bill” (Bill). This is supplementary to the policy advice it offered to the Government earlier.

The Commission is of the view that the currently proposed Franchised Taxis Services (Scheme) may not be able to achieve the Government’s policy objective in addressing the “*strong and growing public demand to enhance personalised and point-to-point public transport services*”. It points out that competition has been excluded from Hong Kong’s taxi services because the industry has been overly regulated by the government despite rapid technological improvements and other changes over time. The best way to advance the quality of taxi services is by allowing a greater level of competition. While regulation of the industry may be necessary in some circumstances, for example to address the problem of pollution and congestion, such regulation should only aim at addressing the specific concerns and not insulate the industry from innovation and advancement, nor should the regulatory regime be tied down by certain trade interests.

To this end, the Commission calls on the Government to give serious consideration to wider reforms of the industry with the aim of allowing consumers to obtain the full benefit of competition. In this regard the Commission has set out in its submission (Annex B) research and practical experience from other jurisdictions that have undertaken reforms to open up their regulated taxi markets to competition from e-hailing services including ride sharing.

With respect to the Bill, the Commission has put forward two key proposals:

a) **Flag fare of franchised taxi should be set via a competitive process, instead of being fixed by the Government.**

In the proposed Scheme, the flag fare for franchised taxis is set at \$36, which is 50% higher than the existing taxi flag fare. The level at which the flag fare is set appears to intentionally reduce competition on price between franchised taxis and licensed taxis, thus limiting market forces. The Commission recommends that the Government should require franchise bidders to compete by offering the lowest fare for passengers without sacrificing service quality. This can be done by setting tendering rules that mandate minimum quality standards and maximum fare levels. With this process passengers can enjoy a high-quality taxi service set at the lowest possible price.

b) **Number of franchised taxis should be set at a level that meets the community’s demand.**

The proposed number of franchised taxis to be introduced under the Scheme is 600. The Commission is of the view that the number is too small for it to have a positive impact on the quality of the current licensed taxi services. As part of a trial scheme, starting with a small number of 600 franchised taxis may be justified, but this figure ought to be reassessed within a short period of time, possibly two years. If franchised taxis are able to provide a higher quality of service with fares set at market prices, they are then likely to become popular and further expansion of franchised taxis may be needed to meet the demand.

The Commission's submission also addresses concerns about the welfare of taxi drivers. It notes that drivers will benefit from more choice, particularly if the Government increases the number of franchised taxis or adopts wider reforms. Reforms that result in an attractive alternative for licensed taxi drivers strengthen their ability to negotiate lower taxi rental prices thus earning more.

Rasul Butt, Senior Executive Director of the Commission, said, "The Commission firmly believes that it is time to bring in competition to advance the quality of taxi services in Hong Kong and making pro-competition changes to the Scheme may go some way towards this. In addition, it is also necessary for the Government to consider wider reforms of the industry. The Commission stands ready to work with the Government and relevant stakeholders on the matter with the aim of allowing passengers to enjoy the full benefit of competition in taxi services."

The Commission's full Submission to the Legislative Council could be viewed [HERE](#).