

## New fare-review formula mooted

It will be make transport fares more responsive to cost and wage changes Tor Ching Li

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chingli@newstoday.com.sg

PUBLIC transport fares could fall over the years — if times are lean.

A fare review mechanism submitted by the Government Parliamentary Committee (GPC) for Transport on Feb 11 proposes to be more responsive to cost and wage changes, and to provide better safeguards for the typical commuter.

Explaining the proposal at a press conference yesterday, Mr Ong Kian Min, the chairman of the Transport GPC, said: "The current formula is unresponsive to prevailing economic conditions because wage and productivity values are locked in from the preceding five years."

Under the current Consumer Price Index (CPI) + X fare cap formula — used by the Public Transport Council since 1998 to determine any fare hikes — an average upward fare adjustment of 2.4 per cent each year was allowed. The framework is up for revision this year.

The Transport GPC said the proposed use of a new Price Index – 0.3 per cent framework would have registered a downward trend in the fare cap from 2002 to 2004, due to the weak economic climate.

"It is a better reflection of the economic condition. When wages fall, there could be a downward fare adjustment," said Mr Ong.

Another key improvement in the new formula is better clarity in its components. The new formula comprises the CPI and also takes into account national wage averages.

Compared to the previous "X" component, which subsumes wage costs and productivity improvements enjoyed by the transport operators, the GPC has recommended that Public Transport Operators (PTOs) share half of their productivity gains with commuters.

Based on the average 0.6 per cent productivity gains by PTOs in the past six years, this amounts to 0.3 per cent.

Said Mr Goh Chee Kong, SMRT Corp vice-president for corporate communications: "The new formula appears to be more transparent, objective and better represents the economic and social conditions faced by commuters and

operators. We are also encouraged by the principle of rewarding operators for their productivity."

However, SBS Transit expressed concern over how the formula would be used in deciding fare adjustments each year, pointing to a section of the report which states "adverse economic conditions" and "significant deterioration in the overall affordability of public transport fares" as reasons to vary or reject the adjustment.

"SBS Transit feels that the workings should be transparent, especially if the PTC should decide to reject or vary the adjustment from that provided for by the formula," said its spokesman Tammy Tan.

Both PTOs had been consulted by the committee — as were transport experts, academics, grassroots leaders and student unions. The operators had wanted fare adjustments to be made automatic according to a formula, but this was rejected.

Explained Mr Ong: "Automatic fare adjustments would allow operators better forecasting and planning of its operations and expenditure, but due to the sensitive nature of fare adjustments, we could not accept that proposal. We believe it is still the role of the PTC to safeguard the interests of the commuters."

The committee has also suggested that the affordability of public transport fares be closely monitored by tracking those who use it the most — families in the \$1,000 to \$4,999 monthly income bracket.

The PTC said yesterday it would consider the recommendations, and the Government would present its response during the Budget debates next week.

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