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Room for another transport operator

There are economies of scale for bus operators: NUS prof.

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By Samuel Ee

THERE is room for another public transport operator here, a local economist said.

'There are economies of scale as far as bus operations in Singapore are concerned,' said Anthony Chin of the National University of Singapore's Department of Economics. He was speaking at a policy forum on 'Competition in Public Transport Sector in Singapore: Is there room for more than one operator?'

Assoc Prof Chin said that the Land Transport Masterplan unveiled by the government last year aims to introduce competition to raise efficiency and service levels.

'The issue of competition in public transport is a hot topic and we are going into uncharted waters,' he said.

The current debate on whether competition in the market or competition for the market is desired remains, at best, shrouded in enigma, he said. But the good thing is that we can learn from the experience of other cities so that we don't make the same mistakes.

In an extensive presentation illustrated by empirical evidence, Assoc Prof Chin drew an analogy to the deregulation of the US airline industry in the 1970s.

An important issue is that greater contestability is not about the number of operators in the market but whether the market is contestable, with 'the threat of the incumbent being replaced if it does not provide good service'.

Assoc Prof Chin said that the public's perception is that competition leads to lower fares.

'It does not happen. If it does, it will be at the expense of service,' he said, adding that this is the experience of all the cities that have embraced competition.

According to him, there are two ways to introduce competition: through competitive tendering (CT) or deregulation. Referring to the UK example, he said that London embarked on CT for its bus routes in 1985, while country areas outside London were deregulated in 1986.

He said that from London's experience with CT, it can work in Singapore. Moreover, scale economies in bus operations in Singapore can be achieved.

But there are a few conditions. One is that there must be careful identification of networks and bundling of routes. A level playing field must also be created for potential entrants because the incumbent has an advantage of economies and sunk costs spread out over larger networks. There is

also the issue of governance. Assoc Prof Chin said that a strong and efficient authority is required.

The professor, who spent two years with the Land Transport Authority and is currently a member of the Public Transport Council, stressed that these are his professional views based on research.

Ultimately, commuters want 'service, service, service', he said. 'There will no quibble over a fare increase if it is accompanied by service quality improvements.'

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