

## **Transportation Industry(Apr 2017)**

*By Hayati Abu Seman*

### **Overview**

The transport industry contributed 6.4% to the total GDP in the services sector and 3.5% to the total national GDP in 2015. Of this figure, land transportation contributed the highest at 0.8%. The consumer price index (CPI) component of the transport industry (as at April 2016) showed a decline in transport prices at -5.5% year-on-year (Mar16: -8.2% YoY) with a positive month-on-month (MoM) growth of 3.3% (Mar16: -4.3% MoM), driven mainly by a 10 sen hike in RON95 & RON97 prices and a 20 sen hike in diesel prices.

### **National Land Public Transport Master Plan**

The plan ensures efficient mobility within and between spatial conurbations across Peninsular Malaysia under key thrusts, namely collaborative planning and governance; the National Physical Plan (NPP2) which assists in the delivery of an improved express bus service network and the operating model for express bus services which will also test the industry's viability. The question of sustainability will be a major consideration when designing the improved regulatory and enforcement measures

### **Indicators for Demand for Public Transportation**

#### **Demand for public transportation**

There is a correlation between GDP and mobility growth. Increased population, employment and economic activity always translate into higher mobility requirements. Travel vehicle demand grew from 13 million trips per day in 1991 to 40 million in 2010 with upward trend to reach a staggering 133 million in 2030. With urbanization expected to reach 75% by 2020, there is a need to enable an efficient and smooth flow of people, which in turn will also enable growth of new urban areas through increased connectivity. Mobility growth can be expected to track economic growth, at around 5-7% per year.

#### **Demand for enhanced rural and inter-city connectivity**

In 2010, the demand for inter-urban rail stood at 4.2 million people and the express bus services experienced over 8,000 departures per day. By 2010, 67% of Malaysia's total population was living in urban centres. This number is expected to grow to 75% by 2020 as Malaysia undergoes greater urbanization in the upcoming years. Good inter-regional links are essential alongside intra-regional connectivity to support the national aspirations. Connecting the major population and economic centres adequately through public transport networks is vital in ensuring that people and goods are able to move freely and easily through the country.

The issuance of license can assist to gauge the demand for public transportation. In 2015, overall issuance of license for overall bus operations increased by 51.0% from 2014, contributed by a spike in the new "Persiaran" category (a total of 847 new licenses). The total licenses issued in 2015 reached 2,711 licenses in 2015. However, the permit issuance for express buses have deteriorated for the past three years with a negative CAGR of 10.4% and YoY decline of 23.1% in 2015 (130 licenses). New bus registration in 2015 also showed a decline by 26.1% for the past three years with only

incremental registration evidenced only in Kelantan (+26.9%), Selangor (+21.3%), Terengganu (+15.3%), WPKL (+5.7%) and N. Sembilan (+5.0%).

Total number of bus registered in Malaysia showed an increase of 3.0% with a total of 66,999 buses registered with high number of increase in Selangor and Wilayah Persekutuan each at 4.8% and 4.7%. Similar trend is observed in the total number of taxi with an increase of 2.3% to a total of 108,149 taxis registered. The highest increase is observed in Selangor with a growth rate approaching 4.6% annually.

### **Performance of Express Bus Industry 2015**

Express bus industry is a regulated Industry under the jurisdiction of SPAD whereby fare is determined by the government. The last fare revision was done in 2008 and the previous fare revision with proposed 30% fare increase effective on 1May 2015 failed to materialize. Public transportation is exempted from GST.

### **Survey by SPAD on Ridership for Major Routes for 2015.**

Based on a survey done by SPAD on ridership performance for major routes in 2015, the performance on express bus routes varies depending on the destinations and the day-of-week operations. For weekend schedules, the overall load factor (LF) for all routes is below breakeven (BE) level of 50% with the morning and evening departures registering load factors of 48% and 43% respectively. Morning departures for all major routes showed positive performance having LF above 50% with exception of KUL-Kangar, KUL-Alor Setar, KUL-Melaka and KUL-Kuantan Evening departures are popular among the Eastern routes and KUL-Hatyai with LF exceeding 50% (KUL-Kuala Terengganu & KUL-Kota Bahru).

Overall, the load factor (LF) for all routes on weekday schedule is far below breakeven (BE) level of 50% (AM: 40%, PM: 44%). Morning departures for all major routes showed negative performance having LF below 50% with exception of KUL-Penang, KUL-Ipoh and KUL-Kuala Terengganu. Evening departures are popular among the Eastern routes and KUL-Hatyai with LF exceeding 50% (KUL-Kuala Terengganu & KUL-Kota Bahru).

### **Challenges Experienced by Express Bus Operators**

Among the challenges facing express bus operators include:

1. **Rapid growth of private vehicles** as a transport mode of choice among the Malaysian public.
2. **Competition from other public transportation** i.e. rails and air. KTM ETS - operates along the West Coast Line between Gemas and Padang Besar (eff. 11July 2015). For instance, KUL-PDG: 5 hours and 55 minutes (via Bus: 7 hours 13 minutes), fare of RM76 (via Bus: RM55). The bus frequency is twice daily with more frequent services in the future.

3. **Highly regulated industry with express bus fares** are controlled by the Government. The last bus fare increase was in 2008. Approved a fare increase of 22.6% for express buses in March last year, but withdrew it before it could not be implemented. The fare calculation is based on operating cost per km and bus capacity. Under the current fare system, express bus passengers are paying 9.3 cents per kilometer. The operating cost is RM2.29/km. This is based on the annual operating cost percentage.
4. **High costs of operations.** The road transportation sector remains highly sensitive to fluctuations in operational costs such as fuel, tyres and spare parts. The industry is also charged with GST on the purchase of buses, spare parts and tyres. Bus operators have been placed in the “EXEMPT” category in the implementation of GST. Other cost affecting factors include minimum wage, longer maintenance affecting trips delay and hike on toll cost.
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6. **Dampen business expansion for economies of scale.** According to the Malaysia Bus Operators Association, express bus operators have to slow down on renewing their fleet, let alone expanding it. Bus operator are cutting down on the frequency of trips to reduce operating cost partly due to it inability to secure loans to change old/ageing buses leading to higher maintenance cost.
7. **Maintaining current operation with increased requirement from SPAD on service enhancement and compliance with requirement from SPAD** for safety (including better fleet management, better driver management & better journey risk management), comfort for lesser breakdown, cleaner buses, and operators hotline, and reliability.