PUBLIC TRANSPORT COUNCIL

Better Rides • Affordable Fares • Sustainable Public Transport

Annex A – Changes to the Fare Adjustment Formula

Please refer to the FFMR report for more details

Productivity Contribution (PC)

1. The PE was included in the fare adjustment formula in 2005. By factoring in the productivity gains of the public transport operators in fare adjustments, commuters have been able to benefit from the lower formula output. During the Fare Formula and Mechanism Review in 2018, PE was set at 0.1%, based on half of the productivity savings realised by the public transport operators between 2012 and 2016.

2. When applying this same approach to the latest period of 2017 to 2021, the PTC observed that the Government had rendered substantial funding support to the public transport operators as ridership fell sharply during the pandemic. If these support schemes from the Government were excluded, productivity gains of the public transport operators during this period would have been negative. Given that the intent of the PE is to share the public transport operators' realised productivity gains with commuters, any productivity losses would not be passed on to commuters. Thus, the PE value would have been set at zero (i.e. PE = 0%), and commuters would not have been able to benefit from any expected productivity gains.

3. Nonetheless, as it is important for the public transport operators to be cost-efficient and to drive continuous productivity improvements, the PTC recommends setting an expected Productivity Contribution at 0.1% for the next five years (2023 – 2027). The PC enables commuters to share in expected productivity gains by reducing the fare formula output by 0.1% every year.

Capacity Adjustment Factor (C)

4. The NCF was introduced to the fare formula in 2018 to track cost movements due to public transport capacity changes relative to commuter demand. On the supply side, it reflects the recurrent operating costs due to capacity adjustments, such as opening new MRT lines and running new bus services, or increasing the frequency of trains and buses so that they are less crowded. However, the NCF was not designed to track short-term fluctuations in demand and supply during exceptional periods such as the COVID-19 pandemic. The drastic fall in ridership over the COVID-19 pandemic period resulted in significantly higher NCF values, leading PTC to exclude the NCF contributions from February to December 2020 and for the entire year of 2021 in the computation of the 2021 and 2022 fare adjustment quantum respectively.

5. In view of the uncertainties in the pace and extent of the recovery of ridership post COVID-19, and to better cope with any future variability in ridership, the Workgroup recommends replacing NCF with a Capacity Adjustment Factor (C). C will be fixed at 1.1% for five years (2023 – 2027), based on the public transport network capacity growth from 2020 to 2026. This 1.1% largely reflects the improved connectivity and lower journey times arising from the opening of the Thomson-East Coast Line.