



# THE DILEMMA OF STAGE BUS OPERATORS IN URBAN CORRIDOR OF JOHOR BAHRU: PROFITABILITY VS SOCIAL RESPONSIBILITY

Mohd Ramzi Mohd Nor<sup>1</sup>, Zamri Miskam<sup>2</sup>

<sup>1</sup>Industrial Logistics Section, Universiti Kuala Lumpur MITEC, Pasir Gudang, Johor

<sup>2</sup>Universiti Teknologi MARA, Kampus Pasir Gudang, Johor

Email: [1mramzi@unikl.edu.my](mailto:1mramzi@unikl.edu.my), [zamri567@johor.utm.edu.my](mailto:zamri567@johor.utm.edu.my)

Received: 25.03.2020

Revised: 23.04.2020

Accepted: 01.06.2020

## Abstract

This research is to examine the rational in maintaining the stage bus operations for commuters travelling particularly in the urban corridor of Johor Bahru despite the fact that most of the bus operators are facing losses in passenger demand, due to escalating of Grab car and e-hailing service since few years back. The fluctuation of fuel price which shown upwards trend in the past few years back has very much affected operational costs which had worsened the situation. The bus operators however cannot simply increase the bus fare since the fare structure is controlled and regulated by the government through its Ministry of Transport (MOT). This study will conduct surveys on stage bus operators in the urban corridor of Johor Bahru. The researcher had approached MOT through its Road Transport Department (RTD) in order to identify the number of operators, its operating routes and permits awarded for the respective operators. The researcher is aiming at highlighting the public interest involving the plight of stage bus operators in sustaining their business between meeting their bottom line of making profit for the company, to continuity of their business, and rendering their noble service of plying the unprofitable routes to cater the needs of the commuters, which considered as social responsibility, and how should these issues be addressed collectively on win-win situation between the operators and the government. The researcher has found that there is significant differences among the stage bus operators who were consequently suffering in silence but rendering social responsibility in spending high expenditure with low return. The researcher is intended to come out with a draft model which to be proposed to the Malaysian government via its Ministry of Transport(MOT) to manage those shortcomings.

**Keywords**-- Public transport, Stage bus service, Bus Operators, Sustainable, Routes

© 2020 by Advance Scientific Research. This is an open-access article under the CC BY license (<http://creativecommons.org/licenses/by/4.0/>)  
DOI: <http://dx.doi.org/10.31838/jcr.07.08.15>

## INTRODUCTION

Buses can be regarded as one of the most popular mode of transportation in towns and suburban areas in Malaysia. It can also be regarded as an important 'attraction' for tourists to travel. Demand for buses drastically increase during festive season and school holidays. In fact, rushing to win a bus ticket during festive season is also not a new phenomenon in Malaysia. Many things have been done to curb the problem - from increasing the price of bus ticket, providing additional services and offering temporary permits for extra buses. All being done with the hope to fulfill customers' demand and at the same time improving the service quality. By doing so, how far does the quality of service rendered meet the customers' requirement? This preliminary research is carried out with the intention to better understanding of the customers' needs. The outcome of this analysis is pictured in two ways; one is taking into consideration the quality of service in terms of customers' perspective and secondly, by measuring customers' state of emotion during service encounter. The importance of this research should be translated by providing service quality of the stage buses to meet the passenger demand and remain their operation as a complimentary to other economic activities.

In Johor Bahru, particularly in urban corridor, the stage bus operators generally facing uphill tasks in sustaining their operation as the demand had reduced due to escalating of grab car and e-hailing service besides the increases of operating costs.

As the bus fares are strictly regulated by MOT, the bus operators have no option but to abide with the regulated fare structure set by the government. This phenomenon eventually resulted some of stage bus operators such as Lien Hoe Omnibus Sdn Bhd (Johor), Foh Hup Omnibus (Selangor) and Chin Wah Omnibus (Negeri Sembilan), which had been operated around 40 years in their respective states, have to cease their operations in early

2008, thus lead to revision off fare structure by MOT in 2009. Since the stage bus fare structure was last revised in the last 10 years, it is timely for new revision to be made taking into account the escalating of the operating cost.

## LITERATURE REVIEW

According to IATP (2006.), bus service is cheap and flexible that could meet the need of passenger's expectation. The characteristics of bus (land transport) which offer speed and capacity make the service more favorable to public users. This statement implies that bus is very economy in moving people from one place to another place to perform their travel needs catering for both urban and sub-urban. As such this research will relate this connotation to the viability on provisions of stage bus service to the unprofitable routes for social justifications.

According to Macario, (2001), it is important to provide appropriate mobility to sub urban to ensure the connectivity of the whole system of accessibility to all walks of life and in every level of community and agencies ranging from authorities, operators and the public users. Macario (2001) also suggested that a good bus service would give passenger's satisfaction thus bring benefits to the stakeholders. From this perspective, customer satisfaction with bus services can be used to find reasonable solutions to encounter any problems thus sustain the mobility. There is no perfect transportation system, but the good bus service would offer better alternative to public road users.

According to a studied made by Ubbels( 2002 ) 'standard welfare economic theory, price should equate marginal social cost throughout the economy to obtain maximum efficiency'. This findings will support the research on the profitability and social responsibility justification provided the public transport service providers particularly the stage bus operators who are plying the unprofitable routes have the mechanism in absorbing the loss

making in such routes. Therefore the government interference is very crucial to ensure the mobility needs for low demand area and sustainable public transport service especially for unprofitable routes.

Furthermore, *the efficiency of transport pricing can be maximized only if other government bodies for instance, the Ministry of Finance would adjust taxes(eg on labour) and subsidies(eg on commuting cost tax deductions) that are outside the control of the transport authority in charge of the transport price for instance, the Ministry of Transport(Piet Rietveld and Roger R.Stough)(2005)*. These measures will definitely help to reduce the operating costs besides providing more efficient service that could attract more commuters and sustainability of the bus service.

*Profitability and social responsibility seem incompatible because each focuses on opposite halves of the corporation's domain, and they ignore relationships between these two crucial dimensions. Governance thereby becomes a zero-sum game. And because economic realities are considered fundamental to survival, concern for profit often drives out social considerations. (Freeman 1984; Brummer 1991;Clarkson 1998),*

#### RESEARCH METHODOLOGY

##### Questionnaire Design and Pre-testing

The questionnaire is designed based on secondary research with the instrumentation adapted Parasuramanet. al. and Mehrabian-Russell's service quality and emotional questionnaire respectively. The questionnaire had been 'adjusted' to suit Malaysia's lifestyle. The 5 point Likert scales is used to measure the highest and the least favorable to each statement. The questionnaire is been translated into local language (Bahasa Malaysia) as the medium to suit the respondents.

##### Sampling and Data Collection

A convenience sampling method is used even though the researchers realized that this method is not representative enough but it is appropriate method based on the nature of the respondents. In terms of instrumentation, we decided to adapt Parasuraman et al's ten attributes of service quality in their questionnaire, the researcher used that attributes but divided it into three category 1) Operators Profitability 2) Sub Urban Corridor Service 3) unit of carriage (buses conditions)

##### HYPOTHESIS

There are three hypothesis that being developed using non-directional hypothesis:

- There is a significant relationship between Bus Operators profitability with public transport service quality.
- There is a significant relationship between urban public transport demand and public transport service quality.
- There is no significant different between unit of carriage and public transport service quality.

##### Findings and Analysis

**Table 1.** Respondent Profile

No.	Criteria	Frequency	Percentage (%)	
1	Gender	Female Male	135 100	57.45 42.55
2.	Age	< 15 16-20 21-25 26-30	23 52 76 34	9.79 22.13 32.30 14.50

##### Urban Public Transport Service Quality

For mean analysis of service quality the most satisfying factors is reliability (4.37) followed by credibility (4.35) and the lowest is communication (3.42) as shown in Table 2. So, even though the feels that communication is poor, the service is still reliable.

Service Quality	Mean
Reliability	4.37
Responsive	3.89
Competence	3.76
Credibility	4.35
Accessibility	4.01
Communication	3.42
Security	3.67
Courtesy	3.43
Emotional Satisfaction	3.70

##### Correlation and Regression Analysis

**Table 2.** Correlation

M_S Q	M_Counter	M_Drivers	M_Unit of Carriage		
M_SQ	Pearson Correlation Sig.(1-tailed) N	1 .23 5	.137 .057 235	.695 (.**) .000	.696 (**) .000 235

##### RESULT AND DISCUSSION

**Table 3.** Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.
	B	Std Error	Beta		
(Constants)	.631	.484	.030	1.303	.194
M_Operators	.031	.060	.220	.519	.604
Profitability					
M_Rural Areas	.176	.048	.268	3.655	.000
Demand	.327	.075		4.358	.000
M_Unit of Carriage					

R2 = .349, F6.238=22.54; p< 0.01

It is suggested that several variables have major implications for delivering satisfaction to bus users that can lead to improving customer satisfaction in sub urban corridor area and emotional burdens. Furthermore, the correlation analysis also indicates that bus operator's profitability has significant impact on service quality of a public transport and the relationship is stronger as shown in Table 3 when it is near to 0.7. However, the result for unit of carriage is not significant, and is slightly different from the earlier hypothesis.

Apparently, the unit of carriage "comfort" provided by the public transport operators is a major element that leaves much to be desired. Public transport operators must constantly monitor the buses to ensure that passengers are satisfied with their services.

Staff or drivers had the second most impact. They should consider the safety of the passengers first as safe arrival is the most important elements in public transport service. While speed might be considered as important to reach the destination as fast as you can, but the driver should not tolerate the safety aspect.

## RECOMMENDATIONS

### Government Incentives

Government incentives to the bus operators can be in various forms which aiming at sustaining the public transport services especially at the sub urban corridor areas in order not to deprive the sub urban folks from accessible to public transport in performing their travel needs.

### Diesel Subsidy

In view of the increase of diesel price, it is appropriate that fuel subsidy is given to all bus operators preferably without any quota stipulated to the operators as the quota allocation of its consumption. Among the mechanism is to empower The Ministry of Entrepreneur and Cooperative Development via the Commercial Vehicle Licensing Board (LPKP) to issue Diesel Fleet card to the Operators based on the permits granted by the LPKP.

### Grant

This is another way to relief the financial burden of bus Operators in operating the unprofitable routes where special grant is allocated for the identified routes especially in low demand areas. The approach had been effective in United Kingdom where each Municipal had been allocated budget in ensuring the public transport is continue to be rendered in isolated areas despite low load factor.

### Corporate Tax Relief

Corporate tax relief can be applied to stage bus Operators as another incentive by Government to boost stage bus operations in particular and other public transport Operators in general because they are providing the service to both commercial (profitable) and social routes (unprofitable). Owing to the recent fuel price hike, these Operators are affected significantly and therefore government assistance is in dire need for them in sustaining public transport service especially in rural areas.

### Toll Reduction

Possibly, stage bus Operators should be enjoying rebate or certain toll discount for routes that impose toll charges as part of government responsibility to the people in providing public transport to people especially in urban areas.

### Terminal Rental Exemption

Presently, all stage bus Operators need to pay for bus parking slots at the bus terminal to the local government via the respective municipals and this charge should exempted as part of the government initiative in protecting stage bus operators business.

### Spare parts import duty exemption

Most of the bus spare parts are imported and thus these parts are dutiable by the Government and these costs are borne by bus Operators once the parts are purchased for the purpose of repair and maintenance of its fleet. By scraping the import duty it will eventually reduce the spare parts price at the market and these Operators could benefit its maintenance and repair (M&R) costs.

### Variable Fare System

Since bus fares are regulated by the government through the Ministry of Transport and Ministry of Entrepreneur and Cooperative Development, thus it is appropriate for the government to liberalize its fare structure system to justify with the escalating costs of operations and fleet maintenance as a result of fuel price hike. The idea is to let the Operators to charge based on its own fare structure for its profitable routes and for non-profitable routes it will follow the standard fare structure as instructed by the government. By having dual fare system, the Operators will benefit much from the revenue gained in the profitable routes to cross subsidize the unprofitable routes with

better profit margin and eventually will help the Operators to sustain the unprofitable routes in the long run.

### Minibus Service

Minibus service had once being operated in Kuala Lumpur from 1970s till 1993 and it had proven effective in moving passengers around the busy city center. But the proposed mini bus service in this case is meant for urban corridor only where the service is a feeder for social responsibility and the load factor is relatively low. As such by using mini buses it would minimize the operational costs to Operators as compared to operations costs of using the ordinary stage bus.

## CONCLUSION

In conclusion, stage bus service is essential to commuters who are dependent on public transport to perform essential travel such as journey to work, shopping, school and others. This phenomenon is crucial in urban corridor areas where most of the folks are low income earners who cannot afford to have own mobility to perform their journey and travel needs. Despite the low load factor or less number of passengers travelling by bus due to escalating of Grab service, and the ever increasing operational costs due to the direct impact the fuel price, the Operators should not cease the operations for some unprofitable route as it is part of its corporate social responsibility to serve the public. At this juncture, this paper had recommended measures to address the conflict of the stage bus Operators between profitability and social responsibility through various government initiatives from the corporate strategy and policy of managing the bus service to the incentives to stage bus Operators which is aiming at sustaining the public transport service especially to the under privilege groups in urban corridor areas.

## REFERENCES

1. Ben-Akiva, M., and T. Morikawa, 1990, Estimation of Switching Models From Revealed Preferences and Stated Intentions. *Transportation Research* 24A, 485- 495
2. Bovaird, T. and Loffler, E. (2002) 'Moving from Excellent Models of Local Service Delivery to Benchmarking "Good Local Governance"', *International Review of Administrative Sciences*, Vol 68, pp 9 - 24.
3. Brady, M. K., & Cronin, J.J. Jr. (2001). Some Thoughts on Conceptualizing Perceived Service Quality: A Hierarchical Approach. *Journal of Marketing*, 65(3), 34 - 49.
4. Button, K. J. (1993). *Transport economics*, 2nd ed. Edward Elgar Publishing Limited.
5. Caceres, R. C. and P., N.C. (2007). \*Service Quality, Relationship Satisfaction, Trust, Commitment and Business-to-business Loyalty. *European Journal of Marketing*, 41(7/8), 836 - 867.
6. Carhuana, A., Erwing, M.T., and Ramasheshan, B. . (2004). Assessment of the Three-Column Format SERVQUAL: An Experimental Approach. *Journal of Business Research*, 49(1), 57 - 65.
7. Ciuffini, F. M. 1995. Transport and public spaces: The connectivity tissue of the sustainable city. *The Sustainable city: A European Tetralogy*. Dublin: European Foundation for the Improvement of Living and Working Conditions
8. Cronin, J., J., Jr., M.K. Brady and G.T.M. (2000) Assessing the Effects of Quality, Value and Customer Satisfaction on Consumer Behavioural Intentions in Service Environment, *Journal of Retailing* 76 (2): pp 193 -218
9. Department of Environment, Transport and the Regions. 2000. *Transport 2010:The ten-year plan for transport*, London: DETR, The Stationery Office.
10. Desmet, P.M.A., (2003) Measuring Emotion: Development and Application of An Instrument to Measure Emotional Responses to Product. In .A. Blythe, Monk, A.F., Overbeeker, K and Wright, P.C. (Editors) *Funology: From Usability to Enjoyment*, New York, NY: Kluwer Academic Publisher

11. Disney, J. 1998. Competing through quality in Transport Services. *Managing Service Quality* 8 (2): 112-118.
12. Edvardsson, B. 1998. Causes of customer dissatisfaction—Studies of public transport by the critical-incident method. *Managing Service Quality* 8 (3): 189-197.
13. Ghobadian, Abby (1994), "Service Quality" in *International Journal of Quality and Reliability Management*, Vol 11, No. 9, pp 43 - 66
14. Gronroos, C. A. (1984). A Service Quality Model and Its Marketing Implications. *European Journal of Marketing*, 18(4), 36 - 44.
15. IsonS, and S. Wall. 2002. Attitudes to traffic related issues in urban areas of the UK and the role of workplace parking changes. *Journal of Transport Geography* 10 (1): 21-28.
16. Jen, W., and K. Hu. (2003) Application of perceived value model to identify factors affecting passengers' repurchase intentions on city bus: A case of Taipei metropolitan area. *Transportation* 30: 307-327.
17. Koppelman, F.S. and Wen C.H. (1998) Alternative Nested Logit Models: Structure, Properties and Estimation *Transportation Research* 32B (5), pp 289 - 298
18. Liljander, V. and Bergenwall, M. (2002), Consumption-based Emotional Responses Related to Satisfaction, *Working Papers*, Department of Marketing, Swedish School of Economics and Business Administration, Helsinki.
19. Liljander, V., Strandvik, T. (1997). Emotions in Service Satisfaction. *International Journal of Service Industry Management*, 8(2), 148 - 169.
20. Macario, R. 2001. Upgrading quality in urban mobility systems. *Managing Service Quality* 11 (2, 4/5, 6): S747-S753.
21. Mattila, A. S. (2001). Emotional Bonding and Restaurant Loyalty. *Cornell Hotel and Restaurant Administration Quarterly*, 42(6), 73 - 79.
22. Mehrabian, A., Russell, J.A. (1974). *An Approach to Environmental Psychology*. Cambridge, MA: MIT Press.
23. Morris, M., S. Ison, and M. Enoch. 2005. The role of UK local authorities in promoting the bus. *Journal of Public Transportation* 8 (5): 25-40.
24. Noor Malinjasari Ali, Raslina Mohamed Nor and Hasmi Mokhlas, (2007) Keberkesanan Pengangkutan Awam dan Analisis Bandar, dalam *Prosiding Analisis Kualitatif Penggunaan Pengangkutan Awam*, Seminar Seni Warisan dan Rupa Bentuk Bandar, UiTM Perak
25. Nunnally, J. C. 1978. *Psychometric theory*, 2nd ed. New York: McGraw-Hill.
26. Pugh D.S. (2001) Service With A Smile: Emotional Contagion in the Service Encounter. *Academy of Management Journal*, Vol 44, No. 5, pp 1018 - 1027
27. Parasuraman, A., Berry, L., and Zeithaml, V. (1991). Refinement and Reassessment of the SERVQUAL scale. *Journal of Retailing*, 67(Winter), 420 - 450.
28. Parasuraman, A., Zeithaml, V and Berry, L. (1988). SERVQUAL: A Multiple-item Scale For Measuring Customer Perceptions of Service Quality. *Journal of Retailing*, 64(Spring), 12 - 40.
29. Parasuraman, A., Zeithaml, V.A., Berry, L.L. (1985). A Conceptual Model of Service Quality and Its Implications For Future Research. *Journal of Marketing*, 49(Fall), 41 - 50.
30. Pucher, J., H. Park, and M. H. Kim. 2005. Public transportation reforms i Seoul: Innovations motivated by funding crisis. *Journal of Public Transportation* 8 (5): 41-62.
31. Rempel, J. K., Holmes, J.G., Zanna, M.P. (1985). Trust in Close Relationships. *Journal of Personal Social Psychology*, 49(1), 95 - 112.
32. Rust, R.T. and Oliver, R. (2000) Should We Delight Consumers. *Journal of The Academy of Marketing Science*, Vol 28, No 1, 86 - 94
33. Selangor Infrastructure Master Plan, 2000, Selangor State Government.
34. Schneider, B. (1990), The Service Organization: Climate is Crutial, *Organizational Dynamics*, Vol 9, No 2, pp 52 - 65
35. Schneider, B. and Bowen, D.E. ( 1995) Winning the Service Game, Harvard Business School Press, Boston, MA
36. Teas, R.K. and S. Aggarwal (1997) Quality Cues and Perceptions of Value: An Examination of the Mediation Effects of Quality and Sacrifice Perceptions, *Iowa State University Working Papers* 37, 6.
37. Zeithaml ,V. (2000) Service quality, Profitability and the Economic Worth of the Consumers. *Journal of the Academy of Marketing*, Vol 28, No 1 (Dec), 67- 85
38. Zins, A.H. (2001), Relative Attitudes and Commitment in Consumer Loyalty models: Some Experiences in Commercial Airline Industry. *International Journal of Service Industry Management*, Vol. 12, No. 3