

■ I. P. L. Png

# Curb car use, not ownership: Impose a kilometre tax

The price of a new BMW 325 in Los Angeles is about S\$60,000, approximately that of the cheapest model of Toyota Corolla in Singapore. The excise duty on imported cars, the registration fee, and the additional registration fee (ARF) make up the huge difference.

What is the justification for all these taxes? The Singapore Government argues that they are necessary to prevent excessive car population growth. Let's consider this problem, as well as three major social problems caused by cars: air and noise pollution, road congestion, and traffic accidents.

What are the government policies that influence use of public roads and car ownership? They include duty on petrol and diesel, excise duty, registration fee and ARF for private cars, preferential additional registration fee (PARF), road tax, an area licensing fee for entering the central business district during peak hours, and compulsory inspection of cars for roadworthiness.

The very length of this list indicates how important private cars are to Singaporeans, and how important it is that car-use and ownership policies be consistent and appropriate.

The excise duties on petrol and diesel have been in force for a long time, and are an appropriate and direct tax on air pollution by cars. The right duty for diesel vis-a-vis petrol will depend on the pollution by diesel compared with petrol.

The Government's stated objective in levying excise duty, registration fee, ARF, and road tax is to discourage private car ownership. But is this the right objective?

One person's ownership of a car does not, as such, create a problem. It is his use of the car on busy roads that adds to road congestion, which is an unpleasant problem.

Mr A, who uses his car mainly to visit his parents and go to the supermarket on weekends, imposes almost no social cost compared with Mr B, who uses his car to commute between Tampines and Jurong every day during peak hours.

The excise duty, registration fee, ARF, and road tax take no account whatsoever of congestion.

Consider how customers react when a restaurant charges them a flat amount each to eat as much as they like. The



result is the buffet-lunch syndrome, which may be observed at many Singapore hotels on Sundays. Everyone who pays over-consumes. It is the same with private cars in Singapore: every one who can afford all the stiff taxes maximises his use of the car.

A second effect of the Government policies is to favour manufacturers of cheaply-made cars over manufacturers of more comfortable and better-engineered models.

But a traffic jam of BMWs causes as much congestion and pollution as a traffic jam of Toyota Corollas. The Government should allow Singaporeans to enjoy the greater comfort and higher quality of life from ownership and use of superior cars.

Another result of the high excise duty, registration fee

One government policy — the area licensing fee — is a step in the right direction. Land in the central business district is a very scarce commodity, and so road space is extremely valuable. The purpose of this peak-hour fee scheme is to set a price for the use of that road-space when it is in peak demand.

Outside of peak hours, say on Sundays, there is hardly any traffic in the CBD; hence it is right that there is no charge for entering it then. The ideal policy would be to adopt the same principle — by charging a price for using the roads that would vary with the demand for that road-space at the time.

This might call for different prices for different roads even at the same time. Such a

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and ARF was to push up sharply the price of new cars. This led existing owners to keep their cars longer. The older a car is, the less comfortable and roadworthy it will be. The less roadworthy cars become, the more likely accidents will be.

So the Government responded with the PARF and the compulsory inspection of cars for roadworthiness at specified intervals. The problem with the PARF is that it seems to be based on the assumption that all cars will suddenly become unreliable when they are 10 years old. In fact, the process of aging is much more gradual. Moreover, some car makes age much faster than others: the PARF unfairly discriminates against durable makes like Mercedes and Volvo.

scheme certainly seems appropriate for the expressways and major roads.

The implementation of such pricing on a wider scale, however, may require us to follow the system to be introduced in Hongkong. In the Hongkong system, each car carries a meter that receives signals from electronic devices implanted in the roads. These signals trigger the meter to monitor the roads travelled and the charges incurred.

Is there a less costly alternative? A simple method is to levy a tax for every kilometre clocked by a car. The number of kilometres chalked up is a precise measure of road use. It is an approximate measure of the congestion caused by road use.

A kilometre tax avoids the pitfalls of the current system:

It does not penalise mere ownership of cars; it does not discriminate against superior cars; and it does not discourage owners from replacing older cars.

A cheap and simple way to implement the kilometre tax is self-reporting. Every six months, a car owner must declare how many kilometres he travelled in the preceding six months and pay the appropriate kilometre tax. The car owner will be issued with a receipt to be fixed to the windshield. This will replace the present road tax disc.

The Registry of Vehicles should enforce this self-reporting system by selecting cars at random to check the owner's declaration of kilometres with the clock of the car. The penalty for false declaration may be set at three times the difference between the amount of tax due and the amount of tax paid.

It would be appropriate to allow motorists driving to Malaysia to obtain a receipt for the kilometres clocked between leaving and re-entering Singapore at the Causeway. At the six-monthly declaration of kilometres, the owner may be given a credit for the kilometres logged in Malaysia.

Because the present policies encouraged Singaporeans to buy and register cars in Malaysia, the Government had to introduce countervailing measures.

The kilometre tax resolves this thorny issue as well: owners of Malaysian-registered cars should pay the tax for kilometres travelled in Singapore on the same basis as Singapore-registered cars. Likewise, rental cars should be subject to the kilometre tax, and there need be no other special policies.

Excise duty, registration fee, ARF, and road tax now comprise one of the largest sources of government revenue. That is no reason not to review the policies.

The kilometre tax may be tailored to yield equal revenue. But it offers the bonus that more Singaporeans will be able to buy cars, enjoy newer, more comfortable, and better cars, while the demand for new road-space will be carefully and automatically managed, leaving more valuable land for housing, schools, parks and industry.

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