

## HIT BY THE HIKES

## Creative cost cutting

Employers up allowances, find other means to offset fuel, ERP costs

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COURIER company boss Wilson Gomas found himself in a bind this week — before he could even decide if higher petrol and Electronic Road Pricing (ERP) costs could be passed on to customers without a drastic drop in business, three of his 14 dispatch riders threatened to quit if he didn't increase their transport allowance.

The \$15 they each get daily was no longer enough to pay for trips in and out of the Central Business District, and the riders were asking for a \$5 increase.

Yet, with the courier business so “competitive”, Mr Gomas, the managing director of Wilson Courier Services, fears the backlash from clients if he raises delivery fees by \$2 — \$1 for higher petrol prices and \$1 for ERP gantry charges.

Like Mr Gomas, players in the logistics and sales industry told TODAY they have been hit hard by the spike in transport costs — diesel and petrol prices have climbed steadily over the past year and more ERP gantries have been installed and charges revised.

While some are mulling over the option of increasing their employees' transport allowance, others are trying to cut costs in creative ways.

A furniture retailer said he would probably increase his sales staff's monthly transport allowance by \$100, from the current \$500.

“The staff need to go around to see clients and take measurements onsite, and some of them are now taking a

bus instead of a cab when they can,” said the retailer, who declined to be named.

He currently imposes a \$25 delivery charge for purchases below \$100, and said the minimum purchase sum may be raised to avoid a dive in profits. But increasing delivery charges is out of question for now, as the furniture retail market is “price-sensitive”.

Moving company Shalom Movers has seen a 30 per cent hike in transport bills, but instead of passing on costs to customers, “we just have to expand faster and innovate”, said its sales manager Gideon Lam. For instance, the company is integrating operations by manufacturing its own packaging.

To help employees save money, Shalom allows its 20 sales and 80 delivery staff to drive company vehicles home. Delivery drivers and assistants living in the same area are also paired as a team and car pool to work, said Mr Lam.

Over at companies with sizeable sales forces, “a handful” have adjusted their travel allowances, according to human resource firm The GMP Group.

The increase is “small”, typically about \$100 a month, said its corporate services senior manager Josh Goh. This is because employers “do not want to stretch themselves in the current uncertain business climate”.

Sales staff also appear hesitant to ask for an increase. Household appliances salesman Desmond Gui, 41, said he has been using his sales commission and meal allowance to foot higher transport costs.

“Companies are also facing higher costs, so we haven't asked for an increase. ERP used to be something that's good to have, but now it doesn't make sense anymore,” he said.

Meanwhile, Mr Gomas started distributing flyers to



Mr Gideon Lam (left) says the firm allows its employees to drive goods vehicles home. OOI BOON KEONG

customers yesterday, explaining why a price hike was necessary. According to him, many courier companies are increasing their charges by \$1 to \$2 per trip. This is because courier firms generally do not have the financial muscle to absorb higher costs — and with many dispatch riders already earning less than \$1,500 a month, begrudging them an increase in allowance is hard, said Mr Gomas.

“I told the three staff not to quit first and to give me until Friday — that's when I will see the customers' reaction. Hopefully, the loyal ones will stay with me,” he said.

## No reduction in diesel prices because ...

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MOST private motorists are enjoying a respite with pump prices down 4 cents a litre, but why is the price of diesel still unchanged at \$2.033? This puzzled TODAY reader Zhuo Jian Guo who asked if it was due to “higher demand or simply profiteering”.

The reason, oil consultant Ong Eng Tong said, is that diesel — unlike petrol — is in demand worldwide for purposes beyond that of fuelling cars.

“Diesel is also used for power generation in rural areas and has industrial applications such as being the fuel in piling machines and bulldozers,” he said.

With no feasible alternatives to diesel and continued high demand from such heavy-duty users, he pointed out, prices are not dropping like that of petrol — for which the primary consumers are private car owners who can make lifestyle changes, such as driving less or taking public transport.

Buses and taxis are primarily powered by diesel.

There was also a recent surge in diesel demand in Australia, after a major gas plant blew up on June 3, cutting natural gas production. This triggered a dash for alternative energy supplies from industrial customers, and diesel demand in Western Australia rose 40 per cent.

But there is hope yet, for diesel users.

Mr Ong thinks prices will also dip with a declining use of private diesel-powered cars overseas — just as more people are



Taxi drivers are feeling the pinch from the fuel price hikes. TODAY FILE PHOTO

turning from petrol-powered cars to hybrids or other alternatives.

But, given that a large chunk of demand is from industrial and commercial users, don't expect a huge decline. Diesel pump prices here last rose on Friday by 10 cents.

Yesterday, ComfortDelGro appeared to play catch-up — several taxi drivers told TODAY the pump price of the diesel it sells to its cabbies went up from \$1.23 to \$1.33 per litre. Cabbie Mr Choong, who called the MediaCorp Hotline, said: “The increase means I would have to pay \$3 to \$4 extra for every 300km I drive. That's enough for a meal.”

But ComfortDelGro said it has been and continues to “heavily subsidise” its drivers, “offering them rates which are significantly below market rate”.

On top of the already-subsidised pump price of \$1.33, rebates mean drivers pay just \$1.19 per litre.

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