

0.7% Fare Adjustment For 2008 With New Transfer Rebate of 40 Cents

7-Cent Fare Reduction To 4-Cent Increase For Most Bus & Train Journeys From 1 October

Overview

1 The Public Transport Council (PTC) has decided to grant an overall net fare adjustment of 0.7%, which is significantly less than the 3% cap allowed for by the fare formula for 2008. From 1 October 2008, most bus and train journeys will see a change in their fares that ranges from a 7-cent reduction to a 4-cent increase per journey. The transfer rebate for adult EZ-Link fares will be increased by 15 cents from the current 25 cents to 40 cents, and the public transport operators will bear the majority of the transfer rebate increase, i.e. 10 cents out of the 15-cent increase.

2 Adult EZ-Link fares on buses and trains and the senior citizen concession EZ-Link fare, will see a flat increase of 4 cents per ride. However, this will be offset by the 15-cent increase in transfer rebate from the current 25 cents to 40 cents. Therefore, fares for most adult or senior citizen concession journeys will see a range of adjustments, from an increase of 4 cents for a direct journey with no transfer, to a reduction of 7 cents for a journey with 1 transfer. Journeys with more transfers will see a greater fare reduction. For instance, a journey with 2 transfers can see a reduction of 18 cents, and 29 cents if there are 3 transfers. There will also be a new maximum EZ-Link fare-band, with an additional 5-cent increase for long-distance rides on buses and trains.

3 Cash fares for adult bus and train rides, which have not been adjusted since 2005, will increase by 10 cents across the board.

4 There will be no change to child/student concession fares and the prices of student/NS-man monthly concession passes.

Fare review framework consistently applied

5 In its deliberations, the PTC took guidance from the fare review mechanism adopted since 2005, taking into consideration Singapore's economic outlook and the affordability of public transport. The Council noted that the economy continues to grow though at a slower pace of 4 to 5%. The unemployment rate for 2007 was 2.1%,¹ the lowest in the last 5 years. The public transport affordability indicator has been on a down-trend over the past 5 years, falling steadily from 7.0% in 2003 to 6.2% in 2007². This indicates that fares have remained affordable for the majority of commuters.

6 To further ensure that commuters' interests are safeguarded, the PTC also made a reality check on the operators' ROTA (Return-On-Total-Assets). The PTC is satisfied that the operators' profit levels are not excessive when compared to the returns of other industries with similar risk profiles. The PTC also took into account the sizeable capital investments needed by the operators over the next few years to improve their operations, such as bus fleet renewal.

7 Further details of the PTC's considerations are contained in the **Fact Sheet**.

Smooth transition to distance-based through fares by 2009

8 Under the Land Transport Masterplan, distance-based through fares will be introduced in 2009 to make transfers more seamless in the hub-and-spoke public transport system. To facilitate the move towards the new fare structure in 2009, the PTC has decided to reduce the existing fare penalty for transfers this year, by increasing the transfer rebate from 25 cents to 40 cents (a 15-cent increase), ahead of removing the transfer penalty altogether by next year.

¹ MOM's unemployment rates from 2002 to 2007 are: 3.6%, 4.0%, 3.4%, 3.1%, 2.7% and 2.1%.

² The Public Transport Affordability Indicator for the past 5 years: 7.0% (2003), 6.8% (2004), 6.6% (2005), 6.5% (2006) and 6.2% (2007).

9 To minimise the impact on commuters, the PTC has also decided that the public transport operators will absorb a larger share of the cost of the increase in transfer rebate (i.e., 10 cents). The operators will thereby give up more than \$30 million in fare revenues, on an annual recurrent basis, to fund the higher transfer rebate. The remaining 5-cent increase in the transfer rebate will be redistributed amongst commuters, as they will benefit from the rebate as well as being better able to choose different travel options.

Overall impact to commuters is minimised

10 Almost all journeys (92%) will experience fare adjustments ranging from -7 cents to 4 cents per journey, depending on whether there are transfers involved. As commuters typically make different types of journeys throughout the week, the impact to an individual commuter will vary according to his or her specific travel pattern and preferences.

11 Based on the current pattern of public transport journeys made using EZ-Link cards, a majority of commuters (64%) will benefit directly from the transition to distance-based through fares, i.e., they will see an adjustment in their weekly public transport expenditure that is smaller than the fare cap of 3%. Of this group of commuters, two-thirds will see either no change or a reduction in their weekly public transport expenditure. The other one-third of commuters in this group will see an average increase of 18 cents per week, or about \$10 a year.

12 The remaining group of commuters (36%), who today typically make mostly direct journeys, will see an adjustment of more than 3%. However, their public transport expenditure will see an average increase of 23 cents a week, or \$12 a year.

13 Senior citizens will continue to enjoy a concession fare, which is a flat fare regardless of the distance per ride, pegged to the lowest adult EZ-Link fare. Like other adult commuters, they will also benefit from the increase in the transfer rebate. In addition, the PTC welcomes SMRT's decision to extend the senior citizen concession hours on its train services to include evening weekdays from 4.30 pm – 7.00 pm.

Help for Low-income Families

14 While public transport fares will remain affordable for most commuters after this year's fare adjustment, low-income families including those with senior citizens may need more help. The approach for helping such families has been to provide targeted help via community-led initiatives and work support schemes under MCYS/Community Development Councils. The PTC notes that the Government has also committed \$10 million to a Public Transport Fund to provide additional help to lower-income households.

15 Mr Gerard Ee, Chairman of the PTC said,

“The Council is mindful of the prevailing economic conditions and overall cost-of-living issues that our commuters face. At the same time, broader economic issues such as high fuel prices negatively affect not only commuters but the operators as well. By raising the transfer rebate this year and making the operators absorb a larger part of the cost, we managed to strike a balance and keep the overall net fare adjustment to just 0.7%, much lower than the fare cap of 3%.

This decision comes after careful deliberation, testing many permutations and scrutinising the impact on both operators and commuters. We have to bear in mind the Council's mandate to keep fares affordable while ensuring the long-term viability of the public transport operators, so that they can continue to make capital investments and provide the quality of service expected.

The increase in transfer rebate also helps us to move a step closer to a distance-based through fare structure next year. When the new structure is in place, commuters will further benefit from having more choices and greater flexibility to choose the travel options that best suit their needs.

I am also heartened to hear that the public transport operators will again be contributing to the transport vouchers this year to help needy families.”

16 Highlights of public transport operators' applications are given in the **Fact Sheet**.

Approved fare adjustment tables

17 The approved bus and train fares, which represent the maximum fares that the public transport operators can charge, are set out in **Annex A**.

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FACT SHEET

Fare adjustment formula caps fare increase rather than leave to operators to set

Maximum fare adjustment = Price Index – 1.5%

Price Index = 0.5CPI + 0.5WI;

1.5%: productivity extraction set for 2008 to 2012.

CPI: the change in Consumer Price Index over preceding year; 2.1 % in 2007.

Wage Index (WI): the change in Average Monthly Earnings (Annual National Average) over the preceding year, adjusted to account for any change in the employer's CPF contribution rate; 6.9% in 2007.

1. The Public Transport Council (PTC), in deciding whether to grant a fare increase this year, has looked at the fare adjustment formula (Price Index – 1.5 %) which is 3.0% for 2008.

2. This fare adjustment formula protects the interests of commuters by capping the increase, rather than leaving it to the operators to decide what the market can bear. Commuters also benefit via a productivity extraction factor (1.5%), through which the operators share their productivity gains with commuters.

PTC checks on overall economic outlook, affordability and operators' profitability and considerations on the transition to distance-based through fares

GDP growth forecast: 4.0 – 5.0%
- moderated from earlier 4.0 – 6.0%, but still growing

Unemployment rate: 2.1% in 2007
- lower than the unemployment rate for the past 5 years (2002: 3.6%; 2003: 4.0%; 2004: 3.4%; 2005: 3.1%, and 2006: 2.7%)

ROTAs of operators:
8.6% (SBST) and 11.1% (SMRT) for 2007.

Public Transport Affordability Index =
Monthly Expenditure on Public Transport
Monthly Household Income

Affordability Indicator: 6.2% in 2007 – a steady improvement from 7.0% (2003), 6.8% (2004), 6.6% (2005) and 6.5% (2006).

3. The PTC has taken into account the overall economic conditions, the affordability of public transport fares and made a ROTA reality check when deciding whether or not to allow fare adjustment.

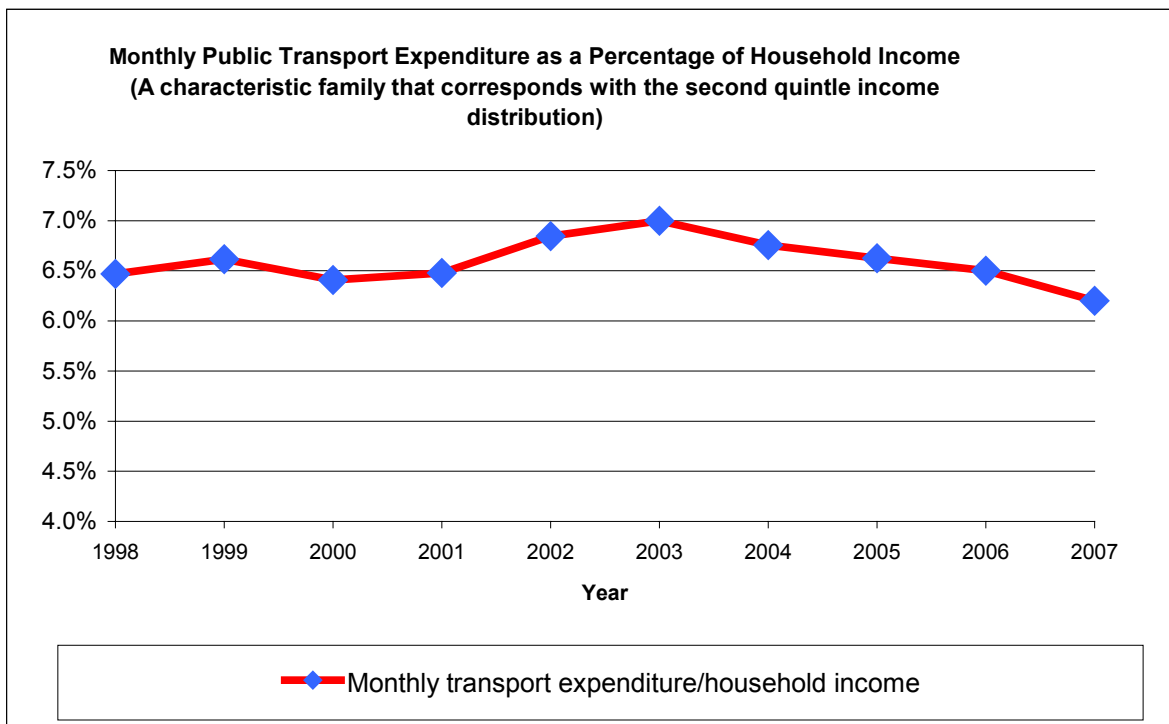
4. The economy has slowed but is still growing. The full-year GDP growth forecast for 2008 has been moderated to 4.0% - 5.0%. The unemployment rate has also come down to 2.1% in 2007.

5. In accordance with the fare review mechanism adopted since 2005, the PTC has assessed that there is no deterioration of affordability of fares. The PTC also made a reality check on PTOs' ROTA (Return on

Total Assets) to further ensure that commuters' interests are protected. The ROTAs (for bus and train operations) are 8.6% for SBST and 11.1% for SMRT¹, based on their proforma accounts². The ROTAs were considered not excessive when compared to the returns of other industries with similar risk profiles. The PTC also considered the PTOs' profit levels in light of the sizeable capital investments needed to sustain their operations, such as for bus fleet renewal.

6. The PTC also considered and agreed on the need to increase the transfer rebate and the need for an additional ez-link fare band to smoothen the transition to distance-based through-fares in 2009. Given the prevailing economic conditions and overall cost-of-living issues that commuters face and the fact that the PTOs would benefit in the longer-run from higher ridership on a more integrated public transport system, the PTC has decided that the PTOs should absorb a larger proportion of the transfer rebate increase this year.

Fares continue to remain affordable



¹ The ROTA figures are for the financial year ended in December 2007 (for SBST) or March 2008 (for SMRT).

² The proforma accounts reflect the bus and train operations of SBST and SMRT conducted in Singapore, which exclude exceptional items and non-transport activities.

ROTA of SBST and SMRT

	2004	2005	2006	2007
SBST (Bus & Rail)	4.6%	6.5%	7.9%	8.6%
SMRT (Bus & Rail)	6.0%	9.1%	11.4%	11.1%

Notes:

- ROTA = Net Profit after tax/Total Assets
- These are based on proforma statements which are submitted to the PTC. They may be different from the ROTA values derived using published accounts of the holding company.

7. Comparison was made with the ROTA of companies such as Hong Kong's Transport International Holdings and MTR, Stagecoach Group, Arriva PLC, FirstGroup PLC, SembCorp Industries and Singapore Airlines. The ROTA of these companies ranged from 2.8% to 10.1%.

Net adjustment to the public transport system's total fare revenues

8. Instead of the 3% fare revenue allowed for under the fare formula, commuters as a whole will pay, and public transport operators will receive, an **overall net adjustment of 0.7%** (or about \$10.1 million) to the public transport system's total fare revenues. This includes the operators giving up **more than \$30 million** on an annual recurrent basis to absorb a 10 cents of the 15-cent increase in transfer rebate.

9. SBS Transit will receive a 0.9% fare revenue adjustment (or about \$5.8 million) while SMRT will receive a 0.6% fare revenue adjustment (or about \$4.3 million).

10. Even with the fare increase granted this year, fares are likely to stay affordable, as general wage levels are likely to increase even faster. (The average wage growth was 10.6% for the 1st quarter of 2008.) Affordability is also maintained by the fact that child/student fares and prices of monthly concession passes will remain unchanged.

Highlights of public transport operators' applications

Bus Fares

Description	SBS Transit	SMRT
Net fare revenue adjustment	1.5%	0.8%
Ez-Link adult fares	Increase by 4-5 cents or 3-6 cents (Two options proposed)	Increase by 3 – 5 cents (1 st fare band 5 cents)
Cash adult fares	Increase by 10 cents in both options	Increase by 10 cents
Transfer rebate	Increase by 10 or 12 cents (Operator will bear 6 cents in both options)	Increase by 14 cents (Operator will bear 7 cents)

Others	-	Also requested the PTC to consider the principle of a one-off fare adjustment to compensate for increases in fuel and GST.
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Train Fares

Description	SBS Transit	SMRT
Net fare revenue adjustment	1.5%	1.5%
Ez-Link adult fares	Increase by 3 – 4 cents	Increase by 5 – 6 cents (1 st fare band 6 cents)
Cash adult fares	Increase by 10 cents	Increase by 10 cents
Transfer rebate	Increase by 10 or 12 cents (Operator will bear 6 cents in both options)	Increase by 14 cents (Operator will bear 7 cents)
Others	-	- Also requested the PTC to consider the principle of a one-off fare adjustment to compensate for increases in fuel and GST. - Will extend senior citizen concession hours to evening period (4.30pm – 7.00pm)

Comparison of average bus and rail fares across cities

City	Average Bus Fare	Average RTS Fare	Average Bus Fare (PPP adjusted)*	Average Rail Fare (PPP adjusted)*
Singapore#	S\$ 0.68	S\$ 0.91	S\$ 0.68	S\$ 0.91
Hong Kong	S\$ 1.20	S\$ 1.62	S\$ 1.55	S\$ 2.08
London	S\$ 1.60	S\$ 4.43	S\$ 1.37	S\$ 3.78
New York City	S\$ 1.27	S\$ 1.63	S\$ 1.20	S\$ 1.54

All information as at Dec 2007

Data source: Annual reports of MTR & KMB (Hong Kong), MTA New York City, SMRT Corporation and SBS Transit, London Travel Report and US Federal Reserve (Exchange Rate).

Average fare = total fare revenue / total number of trips as per annual reports of SMRT & SBST.

*Adjusted using the 2005 Purchasing Power Parity (PPP) Conversion Factor³ published by the World Bank

Based on 2007 (current) fares.

³ The PPP is the rate of currency conversion at which a given amount of currency will purchase the same volume of goods and services in two countries. Another way of looking at the PPP is that when it is used as a currency converter, the price level is the same in both countries.

**MAXIMUM BUS FARES FOR BASIC BUS SERVICES
(w.e.f. 1 October 2008)**

a) Adult Fare Structure (Aircon Trunk Services)

Distance Travelled	Fare Per Ride (cent)					
	Ez-link Card			Cash		
	Current	Approved	Change	Current	Approved	Change
4 or less fare stages	67	71	<i>4</i>	90	100	<i>10</i>
4.5 – 7 fare stages	89	93		110	120	
7.5 – 10 fare stages	109	113		130	140	
10.5 – 13 fare stages	119	123		140	150	
13.5 – 18 fare stages	129	133		150	160	
18.5 – 23 fare stages	139	143		160	170	
23.5 – 29 fare stages	148	152		170	180	
29.5 – 35 fare stages	158	162		180	190	
35.5 and more fare stages (new fare band)	158	167	9	180	190	
Transfer Rebate	25	40	<i>15</i>	NA		

b) Adult Fare Structure (Non-Aircon Trunk Services)

Distance Travelled	Fare Per Ride (cent)					
	Ez-link Card			Cash		
	Current	Approved	Change	Current	Approved	Change
4 or less fare stages	62	66	<i>4</i>	80	90	<i>10</i>
4.5 – 7 fare stages	74	78		90	100	
7.5 – 10 fare stages	84	88		100	110	
10.5 – 13 fare stages	94	98		110	120	
13.5 – 18 fare stages	104	108		120	130	
18.5 – 23 fare stages	114	118		130	140	
23.5 – 29 fare stages	123	127		140	150	
29.5 – 35 fare stages	133	137		150	160	
35.5 and more fare stages (new fare band)	133	142	9	150	160	
Transfer Rebate	25	40	<i>15</i>	NA		

c) Adult Fare Structure (Residential Feeder Services)

Type of Bus	Fare Per Ride (cent)					
	Ez-link Card			Cash		
	Current	Approved	Change	Current	Approved	Change
Non-Aircon	62	66	<i>4</i>	80	90	<i>10</i>
Aircon	67	71		90	100	
Transfer Rebate	25	40	<i>15</i>	NA		

d) Jurong Industrial Estate Services (Aircon) Adult Fare Structure

Distance Travelled	Fare Per Ride (cent)					
	Ez-link Card			Cash		
	Current	Approved	Change	Current	Approved	Change
4 or less fare stages	67	71	<i>4</i>	90	100	<i>10</i>
4.5 – 7 fare stages	89	93		110	120	
7.5 – 10 fare stages	109	113		130	140	
10.5 – 13 fare stages	119	123		140	150	
13.5 and more fare stages	129	133		150	160	
Transfer Rebate	25	40	<i>15</i>	NA		

e) Jurong Industrial Estate Services (Non-Aircon) Adult Fare Structure

Distance Travelled	Fare Per Ride (cent)					
	Ez-link Card			Cash		
	Current	Approved	Change	Current	Approved	Change
4 or less fare stages	62	66	<i>4</i>	80	90	<i>10</i>
4.5 – 7 fare stages	74	78		90	100	
7.5 – 10 fare stages	84	88		100	110	
10.5 – 13 fare stages	94	98		110	120	
13.5 and more fare stages	104	108		120	130	
Transfer Rebate	25	40	<i>15</i>	NA		

f) Senior Citizen Concession Fares

Type of Bus	Fare Per Ride (cent)					
	Ez-link Card			Cash		
	Current	Approved	Change	Current	Approved	Change
Non-Aircon	62	66	<i>4</i>	80	90	<i>10</i>
Aircon	67	71		90	100	
Transfer Rebate	25	40	<i>15</i>	NA		

g) Child/Student Fare Structure

Type of Bus	Fare Per Ride (cent)		
	Ez-link Card		Cash
Non-Aircon	40	No change	45
Aircon	45		55
Transfer Rebate	10 (<i>No change</i>)		NA

h) Monthly Concession Passes

Type of Cardholders	Aircon	
Primary Student	\$22.50	No change
Secondary Student	\$27.50	
Tertiary Student	\$52.00	
Full-time National Serviceman	\$61.00	

MAXIMUM TRAIN FARES (w.e.f. 1 October 2008)

a) MRT Adult Fare Structure (North-East Line)

Distance Travelled	Fare Per Ride (cent)					
	Ez-link Card			Single Trip Ticket		
	Current	Approved	Change	Current	Approved	Change
Up to 1.0 km	71	75	<i>4</i>	100	110	<i>10</i>
1.01 to 2.0 km	76	80		100	110	
2.01 to 3.2 km	81	85		110	120	
3.21 km to 4.4 km	93	97		130	140	
4.41 km to 5.6 km	103	107		130	140	
5.61 km to 6.4 km	113	117		150	160	
6.41 km to 7.2 km	123	127		150	160	
7.21 km to 8.0 km	133	137		150	160	
8.01 km to 10.4 km	143	147		150	160	
10.41 km to 12.4 km	153	157		170	180	
12.41 km to 14.4 km	158	162		170	180	
14.41 km to 16.5 km	164	168		170	180	
16.51 km to 18.6 km	169	173		170	180	
18.61 km to 20.0 km	175	179		190	200	
Transfer Rebate	25	40		<i>15</i>	NA	

b) MRT Adult Fare Structure (North-South and East-West Lines)

Distance Travelled	Fare Per Ride (cent)					
	Ez-link Card			Single Trip Ticket		
	Current	Approved	Change	Current	Approved	Change
Up to 3.2 km	66	70	<i>4</i>	90	100	<i>10</i>
3.21 km to 4.4 km	78	82		110	120	
4.41 km to 5.6 km	88	92		110	120	
5.61 km to 7.2 km	98	102		130	140	
7.21 km to 8.0 km	108	112		130	140	
8.01 km to 10.4 km	118	122		130	140	
10.41 km to 12.41 km	128	132		150	160	
12.41 km to 14.4 km	133	137		150	160	
14.41 km to 16.5 km	139	143		150	160	
16.51 km to 18.6 km	144	148		150	160	
18.61 km to 21.1 km	150	154		170	180	
21.11 km to 23.6 km	155	159		170	180	
23.61 km to 26.0 km	160	164		170	180	
26.01 km to 28.0 km	165	169		190	200	
28.01 km to 30.0 km	170	174		190	200	
30.01 km to 32.0 km	175	179		190	200	
Over 32.0 km (new)	175	184		<i>9</i>	190	
Transfer Rebate	25	40	<i>15</i>	NA		

c) LRT Adult Fare Structure (Bukit Panjang and Punggol)

Number of Stations	Fare Per Ride (cent)					
	Ez-link Card			Single Trip Ticket		
	Current	Approved	Change	Current	Approved	Change
1 – 5	66	70	<i>4</i>	90	100	<i>10</i>
6 – 7	78	82		100	110	
8 – 9	88	92		110	120	
Transfer Rebate	25	40	<i>15</i>	NA		

d) LRT Adult Fare Structure (Sengkang)

Number of Stations	Fare Per Ride (cent)					
	Ez-link Card			Single Trip Ticket		
	Current	Approved	Change	Current	Approved	Change
1 – 4	66	70	<i>4</i>	90	100	<i>10</i>
5	78	82		100	110	
6 – 7	88	92		110	120	
Transfer Rebate	25	40	<i>15</i>	NA		

e) Senior Citizen Concession Fares

Description	Ez-link Card Fare Per Ride (cent)		
	Current	Approved	Change
North-South and East-West Lines	66	70	<i>4</i>
BPLRT, SKLRT and PGLRT	66	70	
North-East Line	71	75	
Transfer Rebate	25	40	<i>15</i>

f) Child/Student Fare Structure

Distance Travelled	Ez-link Card Fare Per Ride (cent)	
Up to 5.6 km	40	No change
5.61 km to 14.4 km	45	
Over 14.4 km	50	
Transfer Rebate	10 (No change)	

g) Monthly Concession Passes

Type of Cardholders	Current	
Primary Student	\$20	No change
Secondary Student	\$25	
Tertiary Student	\$45	
Full-time National Serviceman	\$50	

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