

1 to 2 Cents Increase in Bus Fares & No Increase in Rail Fares

1 From 1 October 2007, adult EZ-Link fares for buses will increase by between 1 to 2 cents. The Public Transport Council (PTC) has decided that there will be no increase to all rail fares.

2 In August 2007, the public transport operators SMRT Corp (SMRT) and SBS Transit (SBST) had applied to the PTC for an increase in bus and rail fares. The PTC deliberated on the PTOs' fare proposals and approved an overall fare increase of 1.8% for bus fares and no increase for rail fares this year, taking into account the fare adjustment cap formula introduced in 2005.

3 In its deliberations, the PTC considered Singapore's economic outlook and the affordability of public transport. The economic outlook has been positive with the latest GDP growth forecast for 2007 revised upwards to 7 to 8% and the unemployment rate for June 2007 at 2.4%,¹ the lowest in 5 years. The public transport affordability indicator has been on a down-trend for the past 4 years, falling from 7.0% in 2003 to 6.5% in 2006², indicating that fares have remained affordable for the majority of commuters. To further ensure that commuters' interests are safeguarded, the PTC also made a reality check on the PTOs' ROTA (Return on Total Assets) against companies with similar industry structures and risk profiles. Taking into account these considerations and its mandate to balance the interests of commuters as well as the long-term viability of the PTOs, the PTC has decided to grant a fare increase on bus fares only.

Majority of Commuters See No Increase or Small Increase in Fares

4 The PTC approved a 1 to 2 cent increase in adult EZ-Link fares for buses. Senior citizen concessionary EZ-Link bus fares, which are flat fares pegged to the lowest adult EZ-Link fare band will also increase by 2 cents. However, because they are flat fares, the same 67 cents fare will apply regardless of the distance travelled. There will be no increase to all rail fares, some EZ-Link adult bus fares, as well as cash fares for buses, child/student fares and the prices of monthly student/NS men concession passes.

5 The majority of commuters will see no increase or a small increase in fares. Taking into account all public transport (bus and rail) trips, 5 in 10 trips will see no increase (52%); 1 in 10 trips will see an increase of 1 cent (10%) and the remaining 4 in 10 trips (38%) will see an increase of 2 cents (Refer to Fact Sheet, paragraphs 8 to 10.)

Help for Low-income Families

6 While public transport fares remain affordable for most commuters, low-income families 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 as well as the Workfare Income Supplement Scheme. The Government has also committed \$10 million to a Public Transport Fund to be given out over three years to provide additional help to lower-income households.

¹ MOM's seasonally adjusted unemployment rates from 2002 to 2006 are: 3.6%, 4.0%, 3.4%, 3.1% and 2.7%. The 2.4% unemployment rate is estimated for June 2007.

² The Public Transport Affordability Indicator for the past 4 years: 7.0% (2003), 6.8% (2004), 6.6% (2005) and 6.5% (2006).

7 Mr Gerard Ee, Chairman of the PTC said,

“The PTC has to strike a balance between safeguarding commuters’ interests and ensuring the financial viability of the public transport operators so that they can continue to improve their services over time and sustain their capital investments.

As part of its deliberations, the PTC compared the PTOs’ ROTA against the prevailing ROTA figures of companies with similar industry and risk profiles. The comparison suggests that our rail industry is doing much better. Hence, on balance, the PTC decided against raising rail fares, to the benefit of commuters.

We have tried to keep fare increase small for as many commuters as possible but we know that any fare increase, no matter how small, would still be felt by commuters, especially those from needy families. Those who need additional help will receive help from the Government’s Public Transport Fund. The public transport operators will also chip in towards public transport vouchers to help low-income families cope with the fare increase.”

8 Please refer to the **Fact Sheet** for more details.

Approved Bus Fare Adjustments

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

FACT SHEET

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

Maximum fare adjustment = Price Index – 0.3%

Price Index = $0.5CPI + 0.5WI$;

0.3%: productivity extraction set for 2005 to 2007.

CPI: the change in Consumer Price Index over preceding year; 1.0 % in 2006.

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; 3.2% in 2006.

1. The Public Transport Council (PTC), in deciding whether to grant a fare increase this year, would look at the fare adjustment formula (Price Index – 0.3%) which is 1.8% for 2007.

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 (0.3%) where operators share their productivity gains with the commuters. This is also to encourage the operators to become more efficient in their operations if they want to maintain their profitability.

PTC checks on overall economic outlook, affordability and operators' profitability

GDP growth forecast: 7.0 – 8.0%

- revised upwards from 5.0 -7.0 % given the strong growth in the first half of 2007

Unemployment rate: 2.4% in June 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:

7.9% (SBST) and 11.4% (SMRT) for 2006.

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

Affordability Indicator: 6.5% in 2006 - a downtrend from 7.0% (2003), 6.8% (2004) and 6.6% (2005).

3. The PTC will have to take into account overall economic conditions, the affordability of public transport fares and the operators' profitability when deciding whether or not to allow fare increases.

4. The current economic outlook is positive, with the full year GDP growth forecast for 2007 having been revised upwards to 7.0% - 8.0%. The unemployment rate has also come down to an estimated 2.4% in June 2007, the lowest in the last 5 years.

5. The PTC has assessed that there are no extenuating circumstances due to economic conditions or deterioration of affordability of fares to not grant a full fare increase. However, the PTC also did a “reality check” on the operators’ ROTA as an indicator of profitability to further ensure that commuters’ interests are protected. The PTOs’ ROTAs, compared with companies with similar industry structures and risk profiles, suggest that our rail industry has done very well in the last year. On balance, the PTC thus decided to raise only bus fares, and maintain rail fares at the current level, to the benefit of commuters.

6. Even with the fare increase granted on bus fares this year, fares are likely to stay affordable with a likely increase in general wage levels. The average wage growth was 5.5% for the 1st quarter of 2007. Affordability is also maintained by the fact that child/student fares and prices of concession passes will remain unchanged.

ROTA of SBST and SMRT

	2003	2004	2005	2006
SBST (Bus & Rail)	2.1%	4.6%	6.5%	7.9%
SMRT (Bus & Rail)	5.1%	6.0%	9.1%	11.4%

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 4% to 9.7%.

Impact of fare increase on commuters

8. **More than half of all trips do not see a fare increase.** Those travelling by rail only, adult EZ-Link for some bus trips, paying cash fares on buses, children/students who pay concession fares and those with monthly concession passes (students and NS men) do not face fare increases.

9. **Of the commuters affected by the fare increase, 3 in 5 of them take direct journeys.** The Adult EZ-Link bus fares for such journeys will increase by at most 2 cents.

For Example: A bus journey from Toa Payoh Bus Interchange to Orchard Road that currently costs 87 cents will see a 2-cent increase from 1

October to 89 cents. This is an increase of 4 cents per day or less than a dollar (about \$0.88) per month.

10. Among commuters who have to make one transfer to another trunk bus, they will see a fare increase of at most 4 cents.

For example: A bus journey from Ang Mo Kio to Alexandra Road with a transfer at MacRitchie Reservoir currently costs \$1.58¹. From 1st October, the commuter will see an increase of 3 cents to \$1.61 (a 2-cent increase for the 1st leg and a 1-cent increase for the 2nd leg). This is an increase of 6 cents per day or about \$1.32 per month.

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\$ 0.67	S\$ 0.91	S\$ 0.67	S\$ 0.91
Hong Kong	S\$ 1.22	S\$ 1.57	S\$ 1.30	S\$ 1.68
London	S\$ 1.51	S\$ 3.93	S\$ 1.11	S\$ 2.90
New York City	S\$ 1.33	S\$ 1.76	S\$ 1.26	S\$ 1.66

All information as at Dec 2006

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 2002 Purchasing Power Parity (PPP) Conversion Factor² published by the World Bank

Based on 2006 (current) fares.

¹ This consists 65 cents for the 1st leg of the bus journey, \$1.18 for the 2nd leg and a 25 cent transfer rebate.

² 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 2007)**

a) Adult Fare Structure (Aircon Trunk Services)

Distance Travelled	Fare Per Ride (cent)				
	Ez-link Card			Cash	
	Current	Approved	Change	Current	
4 or less fare stages	65	67	2	90	<i>No Change</i>
4.5 – 7 fare stages	87	89		110	
7.5 – 10 fare stages	108	109	1	130	
10.5 – 13 fare stages	118	119		140	
13.5 – 18 fare stages	128	129		150	
18.5 – 23 fare stages	138	139	No Change	160	
23.5 – 29 fare stages	148	148		170	
29.5 and more fare stages	158	158		180	
Transfer Rebate	25 (<i>No change</i>)			NA	

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

Distance Travelled	Fare Per Ride (cent)				
	Ez-link Card			Cash	
	Current	Approved	Change	Current	
4 or less fare stages	60	62	2	80	<i>No Change</i>
4.5 – 7 fare stages	72	74		90	
7.5 – 10 fare stages	83	84	1	100	
10.5 – 13 fare stages	93	94		110	
13.5 – 18 fare stages	103	104		120	
18.5 – 23 fare stages	113	114	No Change	130	
23.5 – 29 fare stages	123	123		140	
29.5 and more fare stages	133	133		150	
Transfer Rebate	25 (<i>No change</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	60	62	2	80	<i>No Change</i>	
Aircon	65	67		90		
Transfer Rebate	25 (<i>No change</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	<i>No Change</i>
4 or less fare stages	65	67	2	90	
4.5 – 7 fare stages	87	89		110	
7.5 – 10 fare stages	108	109	1	130	
10.5 – 13 fare stages	118	119		140	
13.5 and more fare stages	128	129		150	
Transfer Rebate	25 (<i>No change</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	<i>No Change</i>
4 or less fare stages	60	62	2	80	
4.5 – 7 fare stages	72	74		90	
7.5 – 10 fare stages	83	84	1	100	
10.5 – 13 fare stages	93	94		110	
13.5 and more fare stages	103	104		120	
Transfer Rebate	25 (<i>No change</i>)			NA	

f) Senior Citizen Concession Fares

Type of Bus	Fare Per Ride (cent)				
	Ez-link Card			Cash	
	Current	Approved	Change	Current	<i>No Change</i>
Non-Aircon	60	62	2	80	
Aircon	65	67		90	
Transfer Rebate	25 (<i>No change</i>)			NA	

g) Child/Student Fare Structure

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

h) Monthly Concession Passes

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

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