

**ADDRESS BY LIM JIT POH, CHAIRMAN, AT SBS TRANSIT LTD'S 12<sup>th</sup>  
ANNUAL GENERAL MEETING HELD ON THURSDAY, 28 APRIL 2005 AT  
1430 HRS**

Good afternoon, ladies and gentlemen, a very warm welcome to all of you and thank you for attending our AGM today. Allow me to say a few words on the recent parliamentary debate regarding the subject of the new fare review mechanism.

All of you are fully aware that we operate in a very regulated environment in which our fares and routes are subject to the approvals of the Public Transport Council or PTC for short. In fact, appointments to the Board of Directors of our Company are also subject to the approvals of both the Land Transport Authority (LTA) and the PTC as stipulated under the respective Rapid Transit System Act and the PTC Act.

While the land transport industry is heavily regulated in Singapore, I am very pleased to say that our authorities are very enlightened and fair in carrying out their duties. This fact bears out very clearly in the recent replies in Parliament by the Minister for Transport in answering the various questions raised by some Members of Parliament during the budget debate.

It is not necessary for me to repeat what the Minister had so eloquently said in Parliament. What I want to address all of you today in our shareholders meeting is the new fare adjustment formula and how it affects our business. Before I proceed with that, I must admit, at the outset, that the Report of the Committee on the Fare Review Mechanism under the Chairmanship of Mr Ong Kian Min, Chairman of the Government Parliamentary Committee for Transport, is very well thought out and fairly presented. It must be so as the Committee had very wisely involved not only some MP's and representatives of PTC but also members of the university community, CASE and NTUC. In addition, views of grassroots leaders and representatives of public transport operators like ourselves were also sought. The recommendations of the Committee are indeed one step forward and a refinement of the previous formula. Such is the style and approach of the authorities in regulating bus and rail businesses in Singapore. We really appreciate this.

Our fare increases over the seven years (1998 to 2004) since the previous formula of  $CPI + X$  took effect, have been very reasonable. During these seven years, the actual fare increase was a mere 0.7% per annum. This is less than one-third what the formula would have allowed us, which was 2.4%. In other words, the price cap formula was not totally adopted in favour of the public transport operators. It was an opportunity which we did not exploit. Despite the lower fare increase against the agreed formula the average national annual wage increase during the same period was 3.4% per annum, almost five times that of the actual fare increase of 0.7%. From these statistics it is obvious that we together with the PTC have acted very responsibly. On top of that, we have been absorbing totally the GST of 5%. We also gave a fare rebate of 5% in the year 2000 and donated \$1m worth of transport vouchers during the unfortunate SARS period when our

own business was adversely affected. Such is our demonstration of concern to our commuters.

Looking at the new fare review mechanism, I am pleased that the Committee, after a thorough review, has decided to retain the price-cap model for regulatory public transport fares. We are also fully agreeable with this principle.

The Committee has also rightfully identified two areas for improvements. The first is the fare adjustment formula. The second is the tracking of the affordability factor.

The new fare adjustment formula has two new elements----- the issue of national wage increases or decreases and the share of productivity gains achieved by public transport operators. It is very fair that in a regulated industry we have to offer our services and price them appropriately so that commuters can afford them. This affordability factor is, of course, tied in a big way to wages. The second component --- productivity --- is also important since it rewards public transport operators like ourselves for improvements in productivity. Of course, we are more than prepared to share our productivity gains with our commuters, our management staff and employees together with you, our shareholders.

The Committee has also made it clear that it does not want public transport operators to exploit any situation. This is reasonable and acceptable. We have never done that. We shall continue not to do so in future. An indication of a reasonable return to total assets is an appropriate measure of our investment and efforts. We also accept this principle. But Singaporeans have to bear in mind all the time that running a safe, efficient and reliable land transport system requires substantial financial investment. In our case the total assets employed can amount to as much as \$531m. As an illustration, a 1% return would represent \$5.31m. You therefore cannot view the absolute amount of profit as a guide. This, I am pleased to say, has been made very clear by the Minister in Parliament. The key word in the overall exercise is 'reasonable'. Unfortunately this is open to different interpretations. Commuters have one perspective. You as shareholders and investors have another perspective. So too the authorities.

On behalf of the Company, I want to state categorically that as a responsible group we welcome the new fare adjustment mechanism as it is fair to all stakeholders. As the Minister has stated in his response to the Report: It is in line with the Government's financing framework where the Government provides the infrastructures, the commuters pay for the operators costs and the public transport operator operates efficiently under the regulatory oversight of the PTC.

Despite our tremendous efforts to make public land transport safe, affordable and reliable, we are still being criticized by a few Members of Parliament and selected members of the public. This is to be expected so long as we continue to provide public services for the entire population. I am pleased that my board of directors and our management are fully aware of our responsibilities and duties and have taken these comments in the right spirit. Perhaps the criticisms arose because of our failure, as rightly mentioned in the Report, to give an accurate assessment of the need to increase fares in the past. Members of the

public, in particular, our commuters, seem to have the impression that we have exploited the situation and made huge profits as a result of the fare revisions of the past. This is not true and we realize that we need to do more in the future if we are to change the perception. We would like to assure our passengers and shareholders that we have acted very responsibly and in very good faith in all these years. It is a compromise which we have to balance all the time among the three major stakeholders namely you the shareholders, the commuters who use our services and the authorities which provide the infrastructure and the system.

As Singaporeans, we have every reason to be proud of our very efficient land transport system. Recent survey findings by LTA have clearly revealed that foreigners speak very highly of our system. There is indeed value for money. Most local respondents also share the same sentiments, albeit at a lower level. To those who have been abroad and used the public transport systems there, they would appreciate what we have offered. Frequent newspaper reports of failures in public land transport systems in other countries resulting in fatal casualties and unexpected inconveniences serve to drive home this message. Indeed many of us have started taking the land transport system here for granted, assuming it will be there, running like clockwork, all the time.

I started off saying I would like to share with you how the new fare adjustment formula will affect our business. In a nutshell, I can safely say, very little will be affected. At SBS Transit, we will continue to keep our fares affordable while striving to keep our service high. This is our commitment to our passengers.

We have also not forgotten you, our shareholders. Our commitment to you is that we will pay out up to half of our net profits as ordinary dividend each year. Where we feel we are able, we will give out special dividends such as what we have proposed this year.

On that note, I shall begin the agenda proper.