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# CHAIRMAN'S STATEMENT

2020 was a year unlike any other. The COVID-19 virus outbreak caused a global pandemic, halting countries in their tracks and raising panic in communities the world over. Singapore was not spared with our Government describing it as the "crisis of a generation". As a public transport operator offering an essential service, we were one of the few companies that continued to operate despite the lockdown. We made changes to the way we delivered our services in a new setting.

## COVID-19 VIRUS OUTBREAK

In a pandemic, the health and safety of our commuters and staff took on new significance. We stepped up the cleaning and disinfection of our buses and trains, bus interchanges and Mass Rapid Transit (MRT) stations as well as our depots and offices. We also piloted the use of Electrostatic Disinfectant Spray (EDS) technology on our buses and trains that could keep the virus at bay for about six months. A trial using a protective shield at the Bus Captain's cabin was also undertaken.

The well-being of our people, both mental and physical, was a key concern as the pandemic raged. We supported all our frontline employees by providing them with masks, personal hand sanitisers, vitamin C tablets, a constant supply of fresh fruits and care packs to help them stay healthy and maintain morale. Temperature checks were also conducted twice a day. In August, our bus employees were tested for the COVID-19 virus and from January 2021, many of our employees from both the bus and rail divisions opted to be vaccinated under the national vaccination programme.

Working with the Authorities, we implemented Safe Distancing Measures (SDM) throughout our premises. During the Circuit Breaker (CB) period from 7 April to 1 June 2020, we marked up the requisite one-metre distance guideline on our entire fleet of vehicles too. During this period, public transport ridership plunged drastically with our average daily rail ridership dropping by as much as 86% as working from home became the norm. While ridership subsequently picked up in the following months, it still did not rise to its pre-COVID-19 level. For the whole

of 2020, the Land Transport Authority (LTA) reported that average daily ridership for buses and trains fell by 34.5% to 5.04 million – marking an 11-year low.

The donning of masks outside of the home became mandatory. For this purpose, the LTA deployed Transport Ambassadors to bus interchanges and MRT Stations. The Transport Ambassadors worked closely with our frontline staff to ensure commuters observed the strict rules. Enforcement was not always easy and there were several instances where our Bus Captains (BCs) were abused as they carried out mask enforcement activities. We did not take this lightly and put our support fully behind our people if they chose to take civil action against the perpetrators, including engaging lawyers and paying their fees. The National Transport Workers' Union (NTWU) also initiated a Memorandum of Understanding (MOU) with all the public transport operators to provide necessary support, including legal action, to public transport workers who were assaulted. We are grateful that the Authorities have also acted swiftly against the abusers.

When the Malaysian authorities announced the Movement Control Order and closed the Causeway suddenly in March 2020, we acted quickly to secure accommodation for our staff who commuted daily between Singapore and Johor Bahru. We negotiated with hotels for reduced rates and tried our best to make sure that the sudden move which essentially tore them from their families back home was as painless as possible. Close to 1,800 of them chose to stay on in Singapore and their decision helped to keep our public transport services operating without any disruption.

I am especially heartened by the overwhelming outpouring of care and support for our frontline staff by the schools and community groups who have taken time and effort to cheer our staff on with care packs and kind words.

At the national level, we lent our support by operating five dedicated buses (COMET MAXI) that have been specially retrofitted to facilitate the mass transfer of COVID-19 related persons between facilities. At our

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interchanges, we provided free space to the Temasek Foundation to place vending machines where Singaporeans and residents can collect their free masks.

The Government has been very sympathetic and helpful through its various assistance schemes and generous Supplementary Budgets. In all, the Government provided \$109.8 million worth of aid to SBS Transit mainly through the Jobs Support Scheme (JSS) to support staff salaries as we continued to keep our buses and trains in operation in spite of the reduced ridership. Other operating costs incurred in respect of rental reliefs were also provided.

We also played our part where our senior staff took a 10% pay-cut for five months while our Board took a proportional 20% cut in directors' fees.

### **ELECTRIC BUSES**

It was announced in the Singapore Budget 2021 that \$30 million would be set aside over the next five years for electric vehicle (EV)-related initiatives. Measures include narrowing the cost differential between EVs and combustion engine vehicles as well as proliferating charging points in private premises. I am heartened by this announcement which will encourage the adoption of EVs for a greener environment.

The LTA, which owns all the public buses in Singapore, has committed to buying green buses – with a view to have the entire fleet run on cleaner energy by 2040 as part of the Land Transport Master Plan. Presently, there are 5,800 public buses where 40 are fully electric and 50 are hybrids. Among the public bus operators, we run half of the fleet of green buses – 20 electric and 25 hybrids – on a trial basis on behalf of the LTA to assess their suitability on Singapore roads.

### **AUTONOMOUS BUSES**

Of our two pilot autonomous vehicle (AV) projects which I mentioned in my last Statement, the one in Sentosa ended last year while the other in Jurong Island is now operating a pilot revenue service until April 2021. This is an initiative under

the national Emerging Stronger Taskforce, which has been set up to reignite the economy. We are involved with ST Engineering in these two projects. The experience gained will put us in good stead for future tenders in this area.

We also joined two consortiums in the AV Call for Collaboration (CFC) announced by the LTA and the Economic Development Board.

### **STRATEGIC PARTNERSHIPS**

Despite the challenges in the rail business, we continue to see potential in this sector. In this respect, we have signed a Teaming Agreement with the RATP Développement S.A., a French Government-owned company and the largest rail operator in Paris, to explore new business opportunities and deliver world-class metro services in Singapore. The signing was witnessed by the France Minister Delegate for Foreign Trade and Economic Attractiveness, H.E. Mr Franck Riester.

We also signed an MOU with Thales, a French multinational company that designs and builds electrical systems and provides services for various industries including transportation, to employ new digital technologies to deliver a safer and more comfortable passenger journey for our MRT commuters.

### **BUS TENDERS**

As reported in my Statement last year, we submitted bids for two parcels – Bulim Bus Package and the Sembawang-Yishun Bus Package – under LTA's new cluster system. The objective of this cluster tendering was to give smaller operators an opportunity to win and level the playing field between large and small operators.

Though we made the lowest bids for both the individual and combined parcels, we unfortunately lost out. The contracts were awarded to another operator, which had submitted the next lowest combined bid, with the price difference of \$22.0 million or 2.2% over the five-year period.

In the market place today, we are still the leading operator with nine parcels or about 61% of the market share.

### OUR PUBLIC TRANSPORT SERVICES

For the year under review, we operated 226 bus routes, which were three more than in 2019. Our 3,193 scheduled buses out of a holding fleet of 3,531 buses included 25 hybrid buses and 20 EVs. All our buses are wheelchair accessible with close to 57% being single deck ones. Garaged in seven bus depots and a bus park, we operate from 17 bus interchanges and 14 bus terminals. On an average weekday, we operated about 31,000 bus trips during the year.

In November 2020, we re-organised our bus division to better support our operational needs by setting up a new Bus Development Division. This new division focusses on Government liaison, bus tenders, bus schedules as well as data analytics to keep pace with technological developments and systems. More importantly, it also works to expedite the induction of new processes and technology and drive innovations in our bus operations.

In rail services, we continued to operate 83 km of rail networks in Singapore – the North East Line (NEL), Downtown Line (DTL) and the Sengkang–Punggol Light Rail Transit (SPLRT) systems. We operate 78 stations with a fleet of 192 trains and have a current market share of 30.6%. All the stations on our rail networks are open for passenger service except one – Teck Lee on the Punggol LRT system – which will open in tandem with developments in the area.

At the peak of the COVID-19 crisis, we suffered an 86% drop in passenger load. In December 2020, ridership was just 72.7% of what was registered a year earlier.

In train service reliability, our lines performed better than the industry during the year under review. For 2020, the DTL achieved a Mean Kilometre Between Failure (MKBF) of 2.09 million train-km while the NEL clocked 2.04 million train-km, both of which outperformed the nationwide MRT network's average of 1.45 million train-km. In fact, the DTL improved on its reliability by about 83% and the NEL by some 48% over their 2019 performances. The SPLRT achieved 426,000 train-km compared to the LRT's network average of 227,000 train-km. It

also improved on its reliability by about 70% over that of its performance in 2019.

A more detailed report of our public transport operations and services can be found elsewhere in this annual report.

### CUSTOMER ENGAGEMENT AND SATISFACTION

The COVID-19 situation did not dampen our efforts in engaging our commuters. We conducted several engagement sessions with some 40 commuters who are physically or visually handicapped and their caregivers through their social service agencies to find out more about their travelling experiences. This was to better understand their challenges and find ways to address them.

We also worked on safety campaigns to contribute to pleasant journeys for our elderly commuters. At the NEL Chinatown Station, besides the display of posters to remind them to hold on firmly to the handrails on the escalators, we also piloted public announcement safety messages in Chinese dialects – Hokkien and Cantonese – besides English and Mandarin. In 2020, there were zero injuries arising from the improper use of the escalator that was involved in the pilot. We will continue to look at other creative ways to encourage and remind our elderly commuters to make travel safe and pleasant for them. On buses and at our bus interchanges, we put up posters to remind commuters to hold on to support at all times to reduce the incidence of bus falls among the elderly.

### DIGITALISATION AND DIGITAL TRANSFORMATION

We have been actively changing the way we operate by digitalising our bus and rail operations and maintenance, and in the process, improved existing systems/processes and enhanced productivity. This has also transformed the way we communicate with our staff, measure and improve performance, and monitor and manage information.

We introduced e-services for our 6,200-odd BCs, enabling them to use their handphones for a host of administrative functions such as checking on work rosters and payslips, applying leave, reporting bus faults and even viewing of personal driving competency on the

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trips performed. Besides these, our BCs also receive company news, safety alerts and advisories on their phones. Likewise, supervisors too are able to monitor the BCs' driving competency and undertake coaching and supervision electronically.

We have also changed our work processes and work flows in our workshops by going digital which has enhanced productivity. In 2020, we tested several solutions to strengthen our condition monitoring capabilities for critical systems in various areas such as rolling stock, signalling and power with the objective of boosting our rail reliability through pre-empting faults. We also rolled out another new digital platform for our rail commuters to provide feedback via QR codes.

### **SUSTAINABILITY**

We live and work in a global ecosystem. Everything we do has a knock-on effect – be it on someone else, on the environment or on society at large. We

all have a responsibility to make fair and accountable decisions, regardless of whether we are shareholders, authorities, directors or management.

The megatrend of sustainable development will gain momentum. We must therefore integrate sustainability into our business strategy.

Our Ulu Pandan Bus Depot was conferred the Green Mark Platinum (Super Low Energy Building) Award by the Building and Construction Authority in February 2020 in recognition of our environmental efforts that included the use of solar panels, green roofs and NEWater in our operation. Across our bus operations, we were intentional in how we could reduce the use of our resources. This has resulted in 15% less electricity consumed and 16% less water used while our carbon dioxide emissions decreased by 9% compared to 2019.

Our efforts were also recognised by the Singapore Environment Council which presented us with the Elite Award, the highest tier in the Eco-Office Plus Certification. Our corporate office and all our depots – eight bus depots and three rail depots – each received the award for implementing environmentally friendly practices at the workplace. We were also one of 12 companies in Singapore to be accredited with the GreenDNA Award which uses an internationally recognised system under the United Nations' Environment Programme (UNEP) to fight the global climate crisis.

In bus safety, there were zero fatal accidents in 2020 compared to one in 2019. As at December 2020, our accident rate was 0.09 cases or 220 accidents per 100,000 bus-km. This was a significant improvement compared to 0.12 cases or 310 accidents in 2019.

Our good safety records were recognised by the LTA. Our DTL was honoured with the "Safe Rail Line of the Year (Excellence)" award - which it won twice in the award's three year history - while SBS Transit's Tampines Bus Package received the merit award in the "Safe Bus Operator of the Year" category.



In 2020, we had 10,670 employees of whom more than 6,200 were BCs. In terms of nationality among our BCs, 50% are Singaporeans and Singapore Permanent Residents, 41% Malaysians and the rest Chinese nationals.

In spite of the pandemic, we continued to recruit BCs for operational requirements. A new recruitment campaign - "Make A Difference, Everyday" - was launched with the focus on building a strong local core. As at 31 December 2020, we successfully recruited more than 550 Singaporeans and Permanent Residents including 133 former taxi drivers and private hire drivers who had switched careers due to the pandemic.

COVID-19 did not dampen our plans for our CARES Kindness Month as we took the digital route in inviting the schools to show their appreciation to our staff. In all, we received close to 2,000 appreciation notes/videos in November 2020.

A more detailed write up on our sustainability efforts can be found in the Sustainability section of this Annual Report. Our parent company, ComfortDelGro, has also produced a comprehensive Sustainability Report.

#### **FINANCIAL PERFORMANCE**

I expect that Shareholders will understand that these are unprecedented times.

Group Total Revenue for 2020 decreased by 14.8% from \$1,445.2 million to \$1,230.9 million.

Revenue from Public Transport Services (bus and rail) decreased by 13.6% or \$187.5 million to \$1,195.8 million, which can be attributed mainly to lower service fees from lower fuel indexation and operated mileage coupled with lower rail ridership, offset by the Rail Reliability Incentive achieved.

Revenue from Other Commercial Services also dropped by 43.3% from \$62.0 million to \$35.1 million due mainly to lower advertising revenue as lesser rail and bus campaigns were rolled out during the COVID-19 outbreak while rental rebates were given to tenants.

We are thankful for the Government Grants of \$109.8 million, which came mainly from the wage subsidy under the JSS, without which the Group would have recorded an operating loss of \$29.8 million for 2020. As a result, Group Operating Profit dropped by 22.7% from \$103.5 million to \$80.0 million.

The Government Grants significantly cushioned the adverse financial impact due to COVID-19 where we experienced a significant drop in revenue from reduced ridership and operating mileage, rental rebates given to tenants and reduced advertising especially during the CB period. While ridership has steadily improved, it remained lower than pre-COVID-19 days, and Other Commercial Services continued to be depressed. In addition, higher operating costs were due mainly to costs incurred for enhanced cleaning and disinfection of our buses, trains, interchanges, stations and depots, subsidising the cost of accommodation for Malaysian staff affected by Malaysia's Movement Control Order which commenced since 18 March 2020 and increased allowance for rail inventory obsolescence.

Consequently, Group profit before taxation was 22.5% or \$22.4 million lower from \$99.4 million to \$77.0 million. Tax credit was \$1.9 million due mainly to the tax exemption for the receipt of JSS and the resultant loss position as compared to the tax expense of \$18.1 million incurred in 2019.

Earnings per share was 25.32 cents, which was 2.9% lower than 2019's 26.07 cents. The net asset value per share was \$1.88 compared to \$1.69 in 2019. As at 31 December 2020, total equity for the Group increased by 11.4% from \$526.7 million to \$587.0 million due mainly to profits generated from operations which was offset by the payment of dividends.

Management undertook a worst case scenario planning exercise in cash flows and resolved not to commit any capital expenditure which were not mission critical to conserve cash. The Board of Directors was fully updated. As at 31 December 2020, the Group had short-term deposits and bank balances of

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\$85.6 million. After accounting for the borrowings of \$25.0 million, the Group was in a net cash position of \$60.6 million. The Group's gross gearing ratio (excluding lease liabilities arising from adoption of SFRS(I) 16) was 4.4% when compared to 14.6% in 2019.

As recovery is still uncertain, the Board has proposed a first and final dividend of 6.3 cents per share. This is 25% of the profit attributable to Shareholders as a show of the Company's appreciation for Shareholders' support. Against the year-end closing price of \$3.05, the yield is 2.1%. These are extraordinary times and I hope Shareholders understand and appreciate the position.

### **CORPORATE GOVERNANCE**

The nine-year rule for Independent Directors will come into effect on 1 January 2022. The Singapore Exchange (SGX) Rules stipulate that Directors who have accumulated a total of nine or more years in their tenure on 1 January 2022 will be classified as non-independent unless prior approvals have been obtained from Shareholders. Two of our Independent Directors in SBS Transit fall into this category but one is retiring at the upcoming 2020 Annual General Meeting (AGM).

This demonstrates that the Board has a good spread of people with experience and deeper knowledge of the business to facilitate Board renewals when new directors are brought in.

In its latest report released in March 2020, the Council for Board Diversity reflected that the pace of increase of women directors slowed down from previous years. Among the 100 largest listed companies in SGX, women on average made up 16.2% of directors as at end of 2019. I am pleased to advise that our percentage in SBS Transit is of the order of 30% with three female directors, well above the target stipulated by the Council.

In the 12th Annual Governance and Transparency Index Survey 2020 which assessed listed companies on corporate governance disclosures and practices, as well as timeliness, accessibility and transparency of their financial results

announcements, SBS Transit continued to do well by advancing its score from 87 to 106 to be ranked in the 17<sup>th</sup> spot from its previous 40<sup>th</sup> position. This placed us in the top 3% among the 577 listed companies in 2020.

Our market capitalisation as at 31 December 2020 was \$950.9 million, which was a dip of \$243.5 million or 20.4%. It also fell below the \$1 billion-mark which was attained in 2019. Among the 706 listed companies on the SGX, we were ranked in the 88<sup>th</sup> spot compared to our 91<sup>st</sup> position in 2019.

Quarterly reporting ceased from 7 February 2020. We, however, continued to provide some basic financial figures as substitutes in the first and third quarters to keep Shareholders and investors informed of our progress. As a result of restrictions imposed by the COVID-19 crisis, our AGM was held virtually through electronic means. It was not entirely satisfactory as we were not able to mingle with our Shareholders after the meeting as we had done in the past. Come 29 April 2021, we will be conducting the AGM proceedings via webcast and in-person so that there will be some interaction between the Shareholders and the Board. Subject to the prevailing national guidelines and regulations, the number of Shareholders who would be able to attend in person will be limited. It is my hope that the pandemic will soon be contained and we will be able to hold our AGM physically for all Shareholders.

### **OUTLOOK**

Despite the ongoing vaccination efforts and gradual resumption of the economy, the global COVID-19 situation remains fluid. There is uncertainty over the easing of health and safety measures and the pace of a global vaccine roll-out. Hence, we shall continue to adopt a cautious outlook for the new financial year.

We will need to further accelerate the pace of our digital transformation to enjoy greater cost efficiencies and further improve the reliability of our operation in serving commuters better. Concurrently, we will look at restructuring to achieve optimisation in the deployment of our human capital. This will make our

organisation most efficient and effective in responding to the demands in our fast evolving operating environment. Our public transportation must also work towards being more inclusive of those with physical and visual disabilities as well as invisible disabilities. For 2021, we will dedicate efforts in doing more to promote inclusivity.

Our BC recruitment will continue to focus on increasing the number of Singaporeans and Permanent Residents. We will also be involved in a Tripartite Task Force to develop a set of common key employment terms and conditions for affected BCs to enable their seamless transit to another public transport operator under the Bus Contracting Model.

#### **DIRECTORS**

Our Director renewal process, which began in 2017, has taken its planned path well. The Board of 10 Directors made up of especially newer Directors is well balanced in terms of tenure, age and gender. They are experts in a whole gamut of key fields including technology, engineering, accountancy, law and the media. They are also well represented in terms of tripartite experience from the government, labour and business sectors.

With the nine-year rule coming into effect in January 2022, Professor Lim Seh Chun will be offering himself for re-election at the forthcoming AGM in April 2021 as independent director for continuity. Professor Lim has discharged his duties with integrity and competence and the Board is confident that he will continue to remain objective and act independently in all Board deliberations. I seek your support in the re-election of the retiring director.

Mr Benny Lim and Mr John De Payva will be retiring at the AGM having reached the end of their term under the normal rotation rules. They will not be seeking re-elections at the forthcoming AGM. We are very grateful to them for their unstinting contributions to the Company.

We shall be having our Directors' Biennial Retreat with Senior Management in 2021. This is very timely in the light of COVID-19. Significant topics in new business models, enhanced role of technology, expanded

role of government, style of working arrangements and future black swans including pandemics will be reviewed and debated.

#### **RETIREMENT**

As you will have read from the Notice of AGM, I will not be seeking re-election this year. I have been SBS Transit Chairman since 2003, following the merger of Comfort Group and DelGro Corporation. But my time with the Group goes back to 1997 when I was a Director with SBS before its restructuring, and then DelGro Corporation after.

But, I believe the time is right for me to hand over the reins to a new Chairman who will lead the Group through its next phase of growth. This is part of the renewal of the Board which began four years ago. The Board, as it stands now, is well balanced in terms of tenure, age and gender. The strength and expertise that is currently in place will be well placed to ensure that SBS Transit grows from strength to strength going forward.

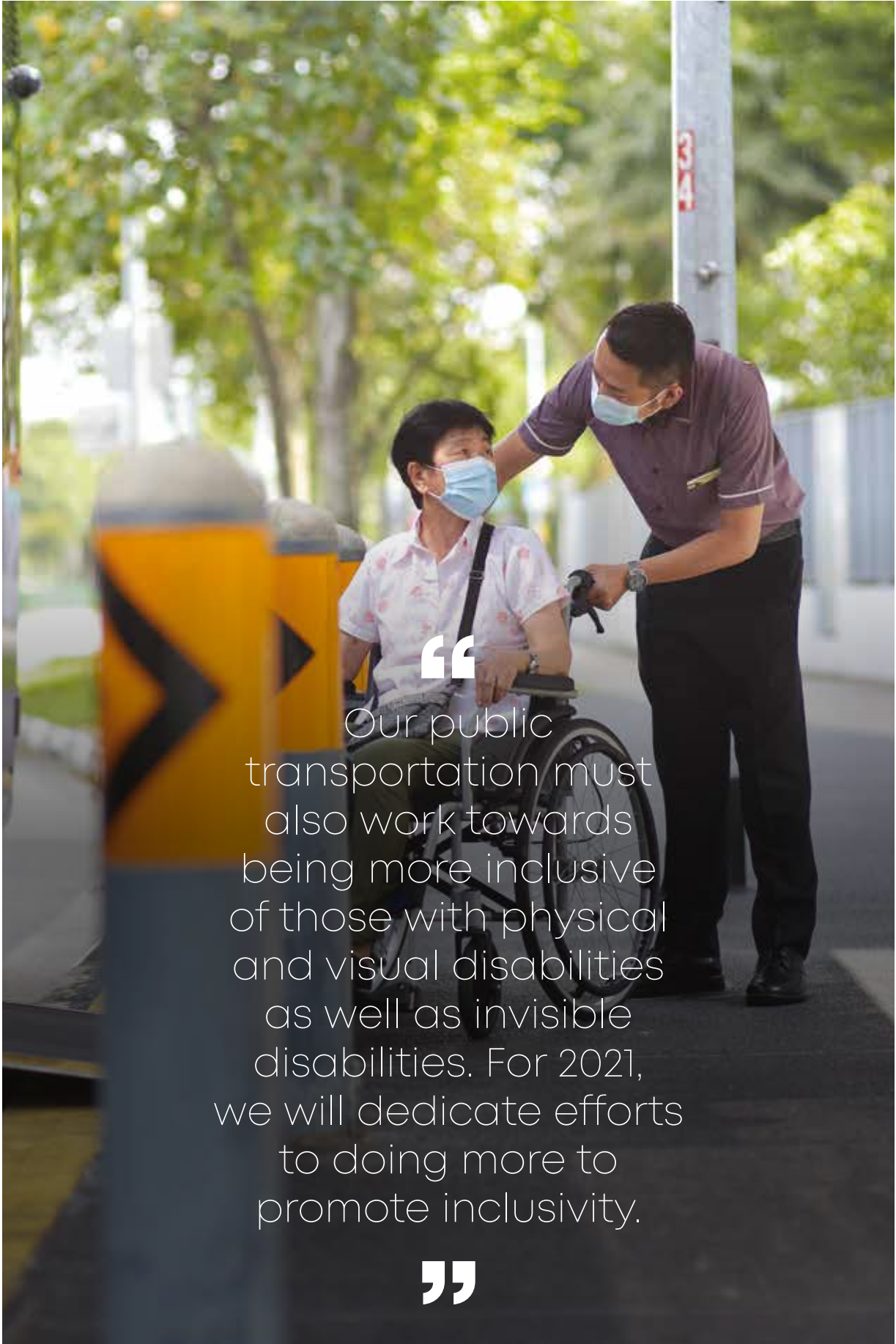
The public transport sector is a tightly regulated industry which is undergoing transformation amidst a changing environment. New technologies, coupled with changing commuter needs and demands, are challenges that we, as operators, face. To ensure continuity, I will stay on as Senior Advisor as Board and Management work together to meet the present challenges.

#### **APPRECIATION**

Management has been under great stress ever since the start of the pandemic. Besides managing our business, Management had to be concerned with the well-being of not only our staff but also our commuters, partners and other stakeholders. Civilisation as we know it is under threat and we have to play our part.

On behalf of the Board of Directors, I wish to thank the Management and staff under the capable leadership of Mr Yang Ban Seng, Deputy Chairman and concurrently the Managing Director and Group CEO of ComfortDelGro, the parent company of SBS Transit, for doing an excellent job in keeping the morale high.





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I would also like to thank Ban Seng for providing guidance and astute counsel to Mr Cheng Siak Kian, who has just been appointed CEO of SBS Transit. I also wish to thank Siak Kian in reorganising and motivating the staff during this difficult period.

Special thanks go out to all our frontline staff who put their own health on the line as they go about their daily work to keep Singapore moving.

I also wish to thank the Government and the Authorities for all their assistance, financial and otherwise, in helping us through these difficult times. I also wish to express my deepest appreciation to the National Transport Workers' Union for working closely with us. I am also thankful to the schools and community groups who have rallied behind our frontline staff with their show of care and support. Teamwork has been strong throughout the crisis and it has helped make a very difficult situation slightly less challenging.

I would also like to thank my fellow Directors for their invaluable contributions during this difficult time. And finally, to our Shareholders, thank you for your continued support.

It is my hope that 2021 will be a better year as we continue to face the pandemic.

**LIM JIT POH**

**Chairman**

MARCH 2021