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SMRT APPLIES FOR FARE ADJUSTMENT

1. SMRT has submitted its application for fare adjustment to the Public Transport Council (PTC) today, 1 August 2008.
2. As with previous years, the annual fare adjustment is capped based on a formula that takes into account consumer price index (CPI), wage index and productivity gains. In 2007, consumer price index (CPI) rose 2.1%, and wage increased 6.9%. Without factoring in productivity gains, the maximum fare adjustment would have been 4.5% this year. However, in the last five years, the public transport operators had achieved higher productivity gains.
3. Mr Vincent Tan, Vice President, Planning and Rail Operations, SMRT Corporation Ltd noted, "SMRT's efforts in growing non-fare revenue from commercial activities like retail rentals and advertising, and constant cost control and productivity drive have yielded good results. This contributed to a higher industry productivity extraction of 1.5%, compared to 0.3% in 2007. As a result, the maximum fare adjustment quantum is reduced to 3% this year."
4. Even a maximum fare adjustment will not fully mitigate cost increases due to an inflationary and higher operating cost environment. For FY2008, SMRT's energy cost increased 18% to \$89.7 million due mainly to higher electricity and diesel prices. Of the \$89.7 million, electricity cost accounted for \$47.5 million, an increase of 19% compared to FY2007. Diesel costs for bus operations amounted to \$42.2 million, 17% higher than last financial year. Besides higher electricity and diesel costs, SMRT fully absorbed the increase in GST by two percentage points.

Press Release

The increase in employers' CPF contribution by 1.5 percentage points further added to operating costs.

5. Given the pressure on costs for fuel, the operating environment continues to be challenging. Crude oil prices increased 62% to US\$125 per barrel from a year ago. As a result of the sharp hike in diesel prices, bus operations posted losses of \$3.3 million in the first quarter of FY2009. In addition, prices of electricity which is used in our train operations, has gone up. The current contracted electricity rate is up almost 15% compared to the previous contract which ended on 31 March 2008.
6. SMRT is supportive of the government's move towards a distance-based through fare structure that will benefit commuters. The distance-based through fare system will make it more cost effective for commuters to make transfers between the various modes of public transport.
7. SMRT continues to reinvest earnings in upgrading and renewing our assets and service enhancements to provide better convenience and comfort for our passengers. To reduce passenger loads and improve waiting time, SMRT rolled out an additional 700 train trips a week from May and June 2008. These extra train trips together with the additional 83 weekly peak hours train trips introduced in February will cost an additional \$5 million yearly.
8. Commuters can also enjoy more comfortable bus rides. In February 2007, SMRT started a mid-life bus upgrade programme for more than 700 SMRT buses which will cost some \$26 million. The upgrade is done in phases, and will be completed over the next eight years. To date, over 200 buses have already been upgraded. To enhance customer service, SMRT is purchasing more than 130 new buses to replace the older buses. The first 66 wheelchair-friendly buses which meet Euro V standards will be out on the roads by this year end.

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