

**MASTER FRAMEWORK AGREEMENT AND NEGOTIATED CONTRACTS UNDER THE BUS
CONTRACTING MODEL FOR THE PUBLIC BUS INDUSTRY**

1. INTRODUCTION

- 1.1 The board (the "**Board**") of directors (the "**Directors**") of SMRT Corporation Ltd (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, SMRT Buses Ltd. ("**SMRT Buses**") has entered into a master framework for bus services agreement (the "**MFA**"), as well as three (3) negotiated bus services contracts in relation to the Sembawang-Yishun bus package (the "**Sembawang-Yishun Negotiated Contract**"), the Choa Chu Kang-Bukit Panjang bus package (the "**Choa Chu Kang-Bukit Panjang Negotiated Contract**") and the Woodlands bus package (the "**Woodlands Negotiated Contract**", and together with the Sembawang-Yishun Negotiated Contract and the Choa Chu Kang-Bukit Panjang Negotiated Contract, the "**Negotiated Contracts**") with the Land Transport Authority ("**LTA**") in relation to the operation of public bus services by SMRT Buses (the "**Bus Services**"). The MFA and the Negotiated Contracts shall collectively be referred to as the "**Bus Contracts**" in this announcement.
- 1.2 Based on the information provided by LTA to the Company, the estimated aggregate contract fee (the "**Contract Fee**") payable to SMRT Buses under the Bus Contracts is approximately S\$1,865 million¹, comprising among other things, one-off ramp-up costs, the aggregate service fee for the operation of the Bus Services (the "**Service Fee**") for the initial durations of the Negotiated Contracts commencing on 1 September 2016 (the "**Initial Periods**") and availability fees for buses² and depot equipment³ assets provided by SMRT Buses for the operation of Bus Services.
- 1.3 The Bus Contracts are entered into by SMRT Buses and LTA in conjunction with the expiry of the 10-year Bus Service Operating Licence ("**BSOL**") granted to SMRT Buses by the Public Transport Council on 1 September 2006, and will govern the operation by SMRT Buses of the Bus Services under the Bus Contracting Model (the "**BCM**") (as described in paragraph 2 below) with effect from 1 September 2016.

1 Such estimated aggregate Contract Fee excludes adjustments for inflation, changes in wage levels and fuel costs, service variation, and incentive payment during the contract period of the Bus Contracts.

2 The bus availability fee is calculated on the assumption that SMRT Buses will be providing buses for the operation of the Bus Services during the Initial Periods.

3 The bus depot equipment availability fee is calculated based on depreciation of existing bus depot equipment assets for the operation of the Bus Services.

2. INFORMATION ON BCM AND THE BUS CONTRACTS

- 2.1 On 21 May 2014, LTA announced the Singapore Government's intention to restructure the public bus industry to one where it contracts bus services through a competitive tendering process. Under the BCM, bus services in Singapore will be bundled into bus packages. For a start, three (3) packages of bus services have been tendered out by LTA. The other bus packages will continue to be operated by the incumbent operators under negotiated contracts when the BSOLs granted to such incumbent operators expire on 31 August 2016. Following the expiry of such negotiated contracts, more bus services will be gradually tendered out. As an incumbent operator which is currently running the Sembawang–Yishun, Choa Chu Kang–Bukit Panjang and Woodlands bus packages covering 77 bus services, SMRT Buses will with effect from 1 September 2016 operate such bus packages under the terms and conditions of the Bus Contracts.
- 2.2 Under each Negotiated Contract, SMRT Buses will operate buses that it owns, as well as buses that are leased from LTA for the provision of the Bus Services. SMRT Buses will also operate and manage the bus interchanges (the "**Bus Interchanges**") and bus depots (the "**Bus Depots**") that are used for the provision of the Bus Services. LTA will determine the Bus Services to be provided and the service standards, and SMRT Buses will be paid the Service Fee to operate the Bus Services, while fare revenue will be retained by the Singapore Government.
- 2.3 Under each Negotiated Contract, SMRT Buses' performance will also be assessed annually under an incentive-disincentive framework based on certain variables, which include key performance indicators in relation to the following:
- (a) bus service reliability from the Bus Service Reliability Framework;
 - (b) first and last bus punctuality;
 - (c) maintenance of buses, Bus Interchanges and Bus Depots; and
 - (d) maintenance of the bus ticketing system.
- 2.4 Under the Bus Contracts, LTA may also provide loans subject to the terms and conditions under the MFA to SMRT Buses for the purpose of financing the costs of replacement or refurbishment of the bus depot operating equipment at the Bus Depots, as well as any additions or alteration works to the Bus Depots pursuant to the terms and conditions of the Bus Contracts.

3. RATIONALE FOR THE BUS CONTRACTS

- 3.1 As mentioned in paragraph 1.3 above, the BSOL granted to SMRT Buses for the provision of bus services will be expiring on 31 August 2016. The Bus Contracts ensure that SMRT Buses continues to provide its existing bus services for the duration of the Bus Contracts following the expiry of the BSOL.
- 3.2 Under the Bus Contracts, the fare revenue generated from the Bus Services will no longer be retained by SMRT Buses, but will be retained by LTA. As mentioned in paragraph 1.2 above, SMRT Buses will be paid the Contract Fee to operate the Bus Services.

4. SALIENT TERMS OF THE BUS CONTRACTS

4.1. Duration of Negotiated Contracts

The Initial Periods of the three (3) Negotiated Contracts are as follows:

- (a) four (4) years in respect of the Sembawang–Yishun Negotiated Contract;
- (b) seven (7) years in respect of the Choa Chu Kang–Bukit Panjang Negotiated Contract;
and
- (c) seven (7) years in respect of the Woodlands Negotiated Contract.

The Initial Periods may be extended at the sole discretion of LTA for such period as LTA may determine (the "**Extended Periods**") after taking into consideration the performance of SMRT Buses in providing the Bus Services under the Negotiated Contracts.

4.2. Other Terms

In providing the Bus Services under the Bus Contracts, SMRT Buses is subject to certain operational requirements and standards, which include, among others, the incentive-disincentive framework referred to in paragraph 2.3 above, requirements relating to the management, recruitment and training of manpower for the purpose of providing the Bus Services, and certain standards relating to the publicity of bus service information in respect of the Bus Services.

SMRT Buses shall also collect all fare revenue derived from the Bus Services for and on behalf of LTA as an agent and on trust for LTA, and account for all such fare revenue to the LTA within such reasonable period prescribed by LTA.

5. **DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or (to the best of the knowledge of the Directors) controlling Shareholders has any interest, direct or indirect, in the Bus Contracts.

By Order of the Board

Jacquelin Tay Gek Poh
Company Secretary
11 August 2016