

News Release

No.1 Hampshire Road Singapore 219428
Tel: 1800-CALL LTA (1800-2255 582) Fax: (65) 6396 1595

Date of Issue: 21 May 2014

TRANSITION TO A GOVERNMENT CONTRACTING MODEL FOR THE PUBLIC BUS INDUSTRY

Commuters will experience more responsive bus services and higher service levels

1. The Government will restructure the public bus industry to a “Government contracting model” starting from the second half of this year. This new industry model will enable the Government to make public bus services more responsive to changes in ridership and commuter needs, as well as inject more competition into the industry, thereby raising service levels for commuters over time.

Government contracting model

2. With the Bus Service Operating Licences (BSOL) for the two basic bus operators expiring on 31 August 2016, the Land Transport Authority (LTA) intends to restructure the public bus industry to one where it contracts bus operators to operate bus services through a competitive tendering process. LTA will determine the bus services to be provided and the service standards, and bus operators will bid for the right to operate these services. They will be paid fees to operate the services, while fare revenue will be retained by the Government.

3. As part of the new bus industry model, the Government will own all bus infrastructure such as depots, as well as operating assets such as buses and the fleet management system. This will lower the barriers of entry to the market, attract more bus operators, and facilitate the transition from an incumbent to a new operator should the incumbent not win the tender upon contract expiry.

4. Besides strengthening the Government’s ability to respond more expeditiously to changes in travel demand and service level expectations, bus contracting will also promote greater competition and efficiency among operators as they now have to compete for the right to run the services, and this in turn will lead over time to provision of better bus services in a cost-competitive manner, thereby benefitting commuters.

5. Under the current privatized industry model, it is more difficult to increase capacity and improve service standards as responsively, as the operators are expected to cover their capital and operating expenses and earn their returns from fare revenue, and so may not run services if these are assessed not to be profitable. In view of this, the Government had introduced the Bus Service Enhancement Programme (BSEP) in 2012 to decisively and expeditiously improve bus service levels, while we explored another industry model which can better sustain the high quality of bus services we desire. The privatized model has served Singapore well, but with the changes in the social and operating environment, a contracting model would serve us better going ahead.

6. The Government will continue to ensure the affordability of public transport fares for commuters under the new bus industry model.

Gradual transition to competitive tendering

7. In the past two years, LTA has studied the London and Australian bus contracting models, which have run well and brought improvements to bus services. Since last year, LTA has experimented with competitive tendering on a small scale with the City Direct Services and Peak Period Short Services. The next stage is to expand competitive tendering to cover public bus services on a larger scale. This will be implemented in phases over several years to ensure a smooth transition for all stakeholders.

8. Bus services in Singapore will be bundled into twelve bus packages with about 300-500 buses each. For a start, LTA will tender out three packages of bus services, starting from the second half of 2014 for the first package, for implementation from the second half of 2016. The contracts will be for five years, and can be extended by another two years on good performance. In total, the three packages will comprise about 20% of existing buses.

9. The other nine bus packages, comprising the remaining 80% of existing buses, will continue to be operated by the incumbent operators. LTA will negotiate with the incumbents to run the nine packages under the contracting model, for durations of about five years when their BSOL expire on 31 August 2016. After these negotiated contracts expire, more bus services will be gradually tendered out.

10. This gradual, phased transition will allow LTA to refine and improve on the management of contracts, as well as the tendering and handover process, and minimise risk of service disruption. We expect nevertheless that there could be many issues to iron out in the transitional process for the first few tendered packages, given that bus contracting is a new public transport model for Singapore. LTA will endeavour to minimise any inconvenience to commuters.

Safeguarding the welfare of workers

11. Details of the first bus package will be announced next week. LTA has been in consultation with the National Transport Workers Union (NTWU) and bus operators, and will work closely together to help transport workers understand bus contracting better, and how their interests will be safeguarded.

12. Indeed, the job security and welfare of bus captains, technicians and other workers in the bus industry will be a key priority. LTA has noted NTWU's feedback and will require the successful tenderer to make employment offers to all workers servicing the tendered bus routes, on terms and conditions that are no worse-off than what the workers have been enjoying under the incumbent operator. LTA will also work with NTWU and bus operators to put in place other measures to ensure a smooth transition for affected workers. The existing Public Transport Tripartite Committee¹ chaired by Senior Minister of State for Transport Mrs Josephine Teo, and comprising LTA, the Ministry of Manpower and the NTWU, will oversee this effort.

Higher service levels

12. With the transition to a bus contracting model, the Government intends to also raise bus service levels to beyond those of the expanded BSEP. All bus services will have scheduled headways of no more than 15 minutes during both the morning and evening peak periods, with at least half of the bus services having even shorter scheduled headways of no more than 10 minutes, and of these, the feeder services will run at even shorter intervals of 6-8 minutes. As a result, an estimated 45% of bus services will have shorter intervals during peak periods when compared to the expanded BSEP service levels.

Annex A: Improvements in Service Levels

For enquiries, please contact:

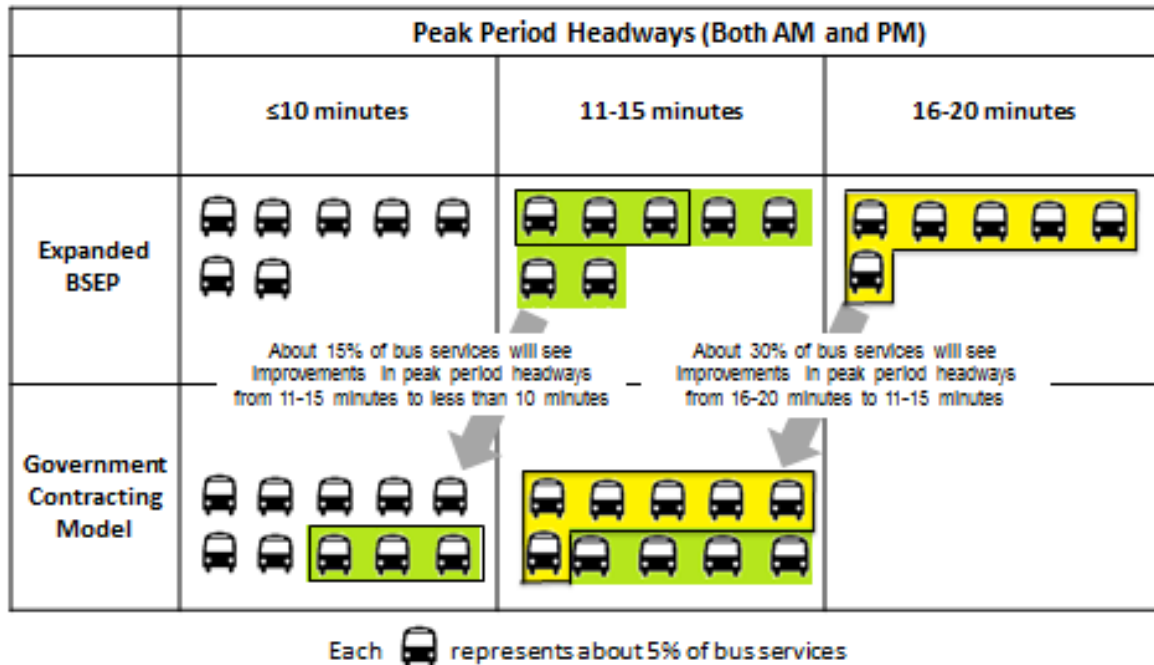
Sumita Sreedharan
Assistant Manager, Media Relations
Tel/HP: 6396 1949; 9832 9028
Email: media@lta.gov.sg

Suhana Kharudin
Senior Manager, Media Relations
Tel/HP: 6396 1947/ 9155 9550
Email: media@lta.gov.sg

¹ Formed in February 2014, the Public Transport Tripartite Committee aims to build a sustainable workforce with a Singaporean core for the bus and rail industry, and provide a platform for engagement and consultation on policies that affect the public transport workforce. The Committee is chaired by Senior Minister of State for Finance and Transport, Mrs Josephine Teo, with representatives from the LTA, the Ministry of Manpower, National Transport Workers' Union, SBS Transit and SMRT.

ANNEX A

IMPROVEMENTS IN SERVICE LEVELS DURING THE 2-HOUR AM AND PM PEAK PERIODS



Current Service Levels during 2-hour AM and PM Peak Periods

- About **30%** of bus services operating at headway of no more than 10 minutes
- 100% of bus services operating at headway of **no more than 30 minutes**



Expanded BSEP during 2-hour AM and PM Peak Periods

- About **35%** of bus services operating at headway of no more than 10 minutes
- 100% of bus services operating at headway of **no more than 20 minutes**



Government Contracting Model during 2-hour AM and PM Peak Periods

- **50%** of bus services operating at headway of no more than 10 minutes
- 100% of bus services operating at headway of **no more than 15 minutes**