

## Press Release

### **SBS TRANSIT MOVES TO NEW RAIL FINANCING FRAMEWORK**

14 February 2018 – Come 1 April 2018, SBS Transit will operate the North East Line (NEL) and Sengkang and Punggol Light Rapid Transit (SPLRT) systems under the New Rail Financing Framework<sup>1</sup> (NRFF), which is a more sustainable, asset-light operating framework.

The new framework replaces the existing model which is an asset-heavy model. With it, SBS Transit will no longer need to buy over the first set of rail operating assets from the Land Transport Authority (LTA). In addition, the LTA will buy over existing operating assets purchased by the Company prior to the transition. Going forward, the LTA will also own and pay for the operating assets, including additions, renewals and replacements.

The NRFF is an asset-light model whereby the LTA will make the capital investments in operating assets and thereby retain the ability and flexibility to decide on the additions, renewals and replacements and undertake long term planning for the rapid transit system network.

SBS Transit will pay an annual licence charge to the LTA over the licence period for the right to operate, maintain and derive revenue from the Licensed Systems<sup>2</sup>.

The licence charge structure under the NRFF offers revenue risk mitigation through the Fare Revenue Shortfall Sharing (FRSS) and profit sharing based on the EBIT (Earnings Before Interest and Tax) cap and collar. LTA shares in some of the shortfall in revenue through the FRSS. If the shortfall between the actual revenue and the target revenue is between 2% and 6%, LTA will share 50% of the shortfall.

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<sup>1</sup> Downtown Line is already on NRFF

<sup>2</sup> Licensed Systems collectively refers to the NEL, and the SPLRT systems

Should the revenue shortfall exceed 6%, LTA will bear 75% of the incremental revenue shortfall beyond 6%. Through a tiered EBIT cap starting at 5% and the collar at 3.5%, LTA will share the upside of the EBIT above the cap as well as the downside risk below the collar. However, LTA's sharing of risks is limited by the amount of licence charge payable by SBS Transit for the year.

In addition, the LTA may reimburse SBS Transit when new regulatory changes introduced after the transition result in higher operating costs or revenue loss. Such regulatory changes include modifications to operating and maintenance standards or performance indicators as well as reduction of rentable or advertising spaces for non-fare revenue.

SBS Transit Chief Executive Officer, Mr Gan Juay Kiat, said: "The New Rail Financing Framework is a more sustainable model for us in the long term. It enables us to focus on the operations and maintenance of the rail systems so that we can improve our service delivery further. It relieves us of the cost of asset renewal and upgrade, and of procuring additional operating assets when ridership demand increases, in order to meet service level and reliability standards set by the LTA."

SBS Transit was issued its existing licence on 15 January 2003 by the LTA under the Rapid Transit Systems Act to operate the NEL and the SPLRT systems for a period of 30 years. This would be replaced by the new licence with a period of 15 years commencing on 1 April 2018, with a possible extension of a further five years.

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