

How the Public Transport Council decides on fare changes

- Guided by the Fare Review Mechanism Committee (FRMC)'s recommendations in 2013
- Two main goals: 1) ensure fare affordability 2) ensure a sustainable public transport system

The FRMC's fare adjustment formula is based on how operating costs changed in the previous year

| THE FORMULA | 2013 (FOR 2014 FARE REVIEW) |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 0.4 x (core consumer price inflation, y-o-y %) | 0.4 x 1.7% = 0.7% |
| + 0.4 x (y-o-y % change in monthly earnings for all workers, adjusted for changes in employer's CPF contribution) | 0.4 x 4.3% = 1.7% |
| + 0.2 x (y-o-y % change in energy index, composite of diesel costs and electricity tariff) | 0.2 x -12.6% = -2.5% |
| - 0.5%, the productivity extraction set for 2013-2017 | 0.5% |
| = Fare adjustment (%) | -0.6% |

2014 fare adjustment quantum = -0.6% + 3.4% (balance of 2013 fare increase) = 2.8%

The PTC then decides

- whether to grant the full quantum
- which types of fares should rise

For the 2014 fare review, PTC decided

- to grant the full 2.8% fare hike
- no fare hikes for senior citizens and all who use monthly concession passes. The government also decided no fare hike for lower-wage workers and persons with disabilities on government-funded concession schemes

FRMC recommended that operators make mandatory contributions of 20-50% of fare hike revenues to the Public Transport Fund. The PTC has decided on this:

| OPERATOR | EXPECTED INCREASE IN FARE REVENUE | CONTRIBUTION TO PUBLIC TRANSPORT FUND | EXPECTED NET INCREASE IN FARE REVENUE |
|--------------|-----------------------------------|-----------------------------------------------|---------------------------------------|
| SBS Transit | S\$21.9 million | S\$5.5 million (25% of fare revenue increase) | S\$16.4 million |
| SMRT | S\$26.6 million | S\$8 million (30% of fare revenue increase) | S\$18.6 million |
| Total | S\$48.5 million | S\$13.5 million | S\$35 million |

Including this S\$13.5 million, the Public Transport Fund would have a total of S\$30.7 million

Changes to come:

As the first routes run under the new public bus contracting model take effect in H2 2016, the PTC's role may change. Operational costs will be more transparent. But there may still be room for operators to apply for fare adjustments – while the government takes all bus fare revenues, public transport operators continue to bear fare revenue risks for trains.