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**SMRT Trains' and SMRT Light Rail's Transition
to the New Rail Financing Framework:
Top 7 Things You Need to Know**

1. How will the New Rail Financing Framework benefit commuters?

Commuter interests are at the heart of the transition to the New Rail Financing Framework (NRFF). LTA, as the owner of all operating assets under the NRFF, will then be in the driving seat to build up, replace and upgrade the operating assets in a timely manner. Rail operators, relieved of heavy capital expenditure, can focus on providing reliable and well-maintained rail services for commuters.

2. What are the assets that will be transferred from SMRT Trains and SMRT Light Rail to LTA?

There are over 60,000 operating asset items. These include the trains, signalling system, maintenance equipment such as rail grinding vehicles, electrical and fire protection equipment, as well as equipment for power and building services.

3. Is the asset transfer a fair transaction?

Yes. LTA will pay SMRT Trains the Net Book Value (cost less depreciation) of the operating assets capitalised in SMRT Trains' and SMRT Light Rail's books as at 30 September 2016. Paying Net Book Value for the assets is fair and objective, and was also the approach used for the transfer of assets from the Government to SMRT Trains in 1998.

LTA will perform an audit on SMRT Trains' and SMRT Light Rail's financials to verify the Net Book Value of the operating assets to be transferred to LTA. LTA will also conduct asset condition surveys for the older operating assets to ensure that they are in acceptable condition. SMRT Trains has provided warranties on the condition of the assets, and LTA is entitled to withhold payments for assets requiring rectification or replacement.

In addition, SMRT Corp has appointed an Independent Financial Advisor to advise its shareholders on the reasonableness of the asset transfer.

4. Will this new framework impact fares for commuters?

No. Fares will not be affected by this transition to the new financial framework. Public transport fares will continue to be regulated by the Public Transport Council based on the fare adjustment formula recommended by the Fare Review Mechanism Committee and accepted by the Government in 2013. This fare adjustment formula is valid until 2017, and will be reviewed before its expiry.

5. Will this transition affect SMRT Trains' and SMRT Light Rail's staff?

No. As the transition only involves the transfer of ownership of operating assets, there will be no impact on SMRT Trains' and SMRT Light Rail's staff.

6. Is Singapore moving towards a nationalised rail sector?

No. The Government is not nationalising the rail sector. A nationalised system is one where the Government itself operates the rail services. Under the NRFF, private rail operators licensed by LTA will continue to run the rail services.

7. What is the progress of discussions with SBS Transit on the transition of the North East Line to the NRFF?

Discussions are still on-going. Transition will only proceed on terms which are mutually acceptable to both the Government and SBS Transit.
