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CONVERSION OF SBS INTO A PUBLIC COMPANY

BACKGROUND

SBS was placed under the management of a Government Team of Officials (GTO) seconded to the Company in August 1974 when SBS was on the brink of collapse.

Marked improvements in operating performance were achieved by the GTO despite increases in wages and cost of spare parts and fuel. There have been no fare rises since February 1974.

SBS, which has a paid-up capital of $25 million, suffered a drop in profits after tax from $7.5 million in 1974 to $2.1 million in 1976. This trend was fortunately reversed in 1977 because of increase in bus ridership following stringent restraints on private car ownership and usage, as well as cost-cutting measures which included streamlining of bus routes, introduction of feeder services and one-man-operations (OMO). As a result, SBS was able to make a profit of $4.3 million after tax in the year ending 31 October 1977.

The experience so far has shown that, with sound management and motivated staff, SBS can provide a reliable and efficient service. At the same time it can make a fair return on capital so long as bus fares are not fixed at unrealistic levels.

CONVERSION OF SBS INTO A PUBLIC COMPANY

The commitment to offer a higher standard of bus service to the public requires the purchase of more and better buses as well as improvements in depot and workshop facilities.

Government has decided that it is now opportune to float SBS as a public limited company and to have its shares listed on the Singapore Stock Exchange, as envisaged in 1974 when the GTO was put in charge of SBS. This move will inject fresh capital into the Company which, together with additional loans, will be used for projects designed to improve bus services.

A new company called Singapore Bus Service (1978) Ltd was incorporated on 17 Feb 1978. The existing SBS will transfer its entire assets, undertakings, and liabilities to SBS (1978) in exchange for 11 million shares in the new Company. SBS (1978) will then issue another 20 million shares at par value to the public.

The Development Bank of Singapore Ltd will manage and underwrite the new issue of 20 million shares for public subscription. SBS (1978)'s employees will be given priority in the new issue.

USE OF CPF BALANCES FOR SHARE PURCHASE

To enable a large number of people, particularly SBS employees and bus commuters, to have a stake in the bus company, Government will amend the CPF Act to allow CPF monies to be used for the purchase of SBS (1978) shares.

The maximum sum that may be withdrawn from the CPF for the purchase of shares of SBS (1978) will be limited to $5000 per person.

Shares purchased with CPF funds can be traded like shares purchased with cash except that CPF funds withdrawn for the purchase of shares will have to be returned to the depositors' CPF accounts when the shares are sold. Any capital gain arising from the sale of shares may be retained by the shareholder. Capital losses will not have to be topped up. Dividends earned may be retained by the shareholder.

Bus commuters who use CPF monies to purchase and to hold 1000 shares or more will be entitled to purchase bus concession passes for unlimited travel.

Detailed information on SBS (1978) will be given in the Company's Prospectus together with instructions on how to apply for the Company's shares either with cash or CPF monies.

POLICY ON MANAGEMENT OF SBS (1978)

Government will continue to provide management assistance to SBS (1978) through the GTO which presently runs the company until such time when a new management team is able to take over.

The Bus Service Licensing Authority Act under which bus companies are licensed to operate will be amended to require that the appointment of company directors in SBS (1978) be subject to the approval of the Authority.

Government intends to ensure through the Authority that SBS (1978) is managed well enough to be able to pay not less than 7½% dividends per year to its shareholders.

BUSFARE REVISIONS

Government will allow bus fares to be revised so that SBS (1978) will continue to operate viably, as is expected of a public-listed company, and, at the same time, provide a higher standard of service.

ROAD TAX SIMPLIFICATION FOR SBS (1978)

To encourage the use of bigger and more powerful buses, road tax will no longer be based on engine size and carrying capacity. The tax will be levied at a flat rate per bus. Thus SBS (1978) will buy buses on the basis of operational rather than fiscal considerations.

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