





CHAPTER **TWO**



FACING CHALLENGES AT HOME



O

N 31 MARCH 2003 – JUST TWO DAYS AFTER COMFORTDELGRO CORPORATION WAS OFFICIALLY FORMED – A COMFORT TAXI DRIVER IN SINGAPORE SAID THAT HE MIGHT HAVE FERRIED A SEVERE ACUTE RESPIRATORY SYNDROME (SARS) VICTIM AND HER MOTHER FROM THE AIRPORT TO THE HOSPITAL. ALL HELL, AS THEY SAY, BROKE LOOSE.

People stopped taking taxis. Drivers' incomes fell from an average of S\$68 a day to a mere S\$46 a day in the first week of April 2003 alone.

It was bad news for the newly-formed Group. Mr Kua recalled: "Can you imagine the taxi drivers saying "We cannot make money" two days after the merger? We were worried. I mean, what if all the taxi drivers could no longer drive?"

Something had to be done. Fast.

Led by Mr Kua, the new management team of the week-old ComfortDelGro wasted no time. All 16,000 Comfort, CityCab and Yellow-Top taxis in Singapore were immediately trained to exercise a daily disinfection routine. Cabbies were given face masks, thermometers and "fever-free" stickers as part of the confidence-building exercise. A Taxi Industry Task Force was also set up to help taxi drivers who had taken ill and to reassure the public that all efforts were being taken to help contain the spread of SARS. Bus Captains also got in on the act – even though bus ridership had not been as severely hit. They were given vitamins to shore up their resistance. Air-conditioning units in buses were switched off and doors left open for ventilation when they went off service. Even metal railings at the queue lines at interchanges were disinfected every two hours to minimise the spread of SARS.





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MY HEAD
ON THE
BLOCK

“ On 10 April 2003, Mr Kua, accompanied by Mr Lim, met the Associations, and over lunch at Orchard Hotel, decided that ComfortDelGro would give all its cabbies a rebate of S\$10 a day on their taxi rentals. “Everybody was shocked,” recalls Mr Kua. “I didn’t talk to anybody or consult anybody. I didn’t think how much it would cost us. I was making a decision with my head on the block – if things went wrong, I would be dead.”

But the situation – especially for the taxi industry – did not get any better. Fear of being in a confined small space caused commuters to steer clear of taxis. Chairman Mr Lim suggested that the management work with the Taxi Operators’ Association to find a solution. On 10 April 2003, Mr Kua, accompanied by Mr Lim, met the Associations, and over lunch at Orchard Hotel, decided that ComfortDelGro would give all its cabbies a rebate of S\$10 a day on their taxi rentals.

“Everybody was shocked,” recalls Mr Kua. “I didn’t talk to anybody or consult anybody. I didn’t think how much it would cost us. I was making a decision with my head on the block – if things went wrong, I would be dead.”

It was a bold but necessary move. Thinking back, Mr Kua said of the 12.5% cut in daily rentals: “I felt that we had to make a gesture that was very significant, to tell the drivers that we were with them, that we were all together in this, and that we would see this through.”

Mr Tay Hay Leng, then the President of the Comfort Taxi Operators’ Association, recalled how many cabbies were bowled over by the move. “He was decisive and did not skirt round the issue. The reduction came as a great help to our members.”

Cabby Haniff bin Mahbob called it the “most important thing” that ComfortDelGro did to help drivers. “It helped lighten the burden of most drivers and gave us confidence. It showed that the company cared enough to help us through the difficult times.”

Like his colleagues, the SARS contagion had hit Mr Haniff hard, both psychologically and financially. “I was very concerned about my health and safety, because of the passengers that I carried daily,” he recalls of those tense months. “I was also very worried about my income. Many people were avoiding taxi rides at that time because they did not want to come into contact with anyone.”

The S\$10 rebate was not all that ComfortDelGro gave its cabbies. It also gave them 4 cents off every litre pumped at their refuelling stations. A week later, the Government announced that it too would help the beleaguered sector by cutting diesel taxes by S\$2,000 and waiving the S\$25 monthly licence fee which operators had to pay for each vehicle in its fleet. ComfortDelGro passed on all these savings to its drivers.

Even as these help lines were thrown, the situation continued to worsen. On 17 April 2003, a Comfort cabby was diagnosed with SARS. A massive exercise was undertaken to trace all his passengers. The company waived the driver’s rental and gave him a hardship grant. His ward charges were also taken care of. But things continued to worsen and on 30 April 2003, a Comfort cabby who had died earlier was found to have suffered from SARS instead of viral fever, as earlier thought.

Demand for taxis hit an all-time low.



ComfortDelGro further extended its rebate and increased the diesel discount by another 2 cents. All drivers were also given “SARS Battle Kits” comprising thermometers, masks, disinfectants and alcohol wipes. Mr Lim and Mr Kua personally distributed these kits to drivers who drove by a collection point at Causeway Point. The whole company rode through the storm. Thankfully, no other cases of SARS were found among taxi drivers and their passengers.

Slowly things started returning to normal and by June 2003, calm was restored.

The SARS crisis cost the Group a total of S\$30 million. It could not have come at a worse time, with the merger just completed and so much more to be done. But the team, led by Mr Kua, pulled through admirably. Looking back, Mr Kua is very pleased with the decisions made

during the worst of the SARS crisis.

“We did the right thing,” he said. “We made the right decisions and we managed to hold everything together.” The decision to cut rentals was also significant because it sealed the relationship between the management and the cabbies. “They had not expected this new guy, coming out of nowhere and yet able to come out and do things for them. I think they were very grateful, that in times of need, the help came unsolicited,” he said.

The baptism of fire also strengthened the management’s confidence in itself and the company.

“It made me more confident and gave me greater reassurance that if we were to look at something calmly and objectively, we could definitely overcome it and move to a higher platform of growth,” said Mr Kua.



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HEART ACHES

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ven as the company was battling an external enemy, it was reorganising itself internally to take on stronger and bigger competitors on the global stage. One of its keenest weapons proved to be the rich vein of experience in the newly-constituted Board – comprising Mr Lim, Mr Kua, union stalwart Mr Ong Ah Heng, NatSteel chief Mr Oo Soon Hee, Singapore Labour Foundation CEO Ms Nancy Teo, Temasek Holdings' Senior Managing Director (Investments) Mr Tow Heng Tan, Member of Parliament and Xerox Singapore Managing Director Dr Wang Kai Yuen, and Ramdas and Wong's Senior Partner, Mr David Wong.

With a mix of business savvy, labour relations and entrepreneurial flair, they wasted no time in charting the course for the Group. The first few months would prove crucial and they were keen to ensure that strong foundations were laid for the Group.

Mr Oo Soon Hee, a Director of the newly-merged entity, recalls: "I was part of the working committee for this merger. I believe there are many synergies through such a merger

that can be realised, scale and resources in particular. Of course, in a merger, there will be many challenges but also opportunities available."

One of the first tasks at hand was to tackle the excess headcount. A painful but necessary move – and one that benefitted from the crucial support of the unions, which saw how important the merger was.

Then NTUC Secretary-General, Mr Lim Boon Heng, said he knew there would be heartaches but also that it would all pay off in the long run – not just for the staff, but also for the larger public. "The merged entity would be more efficient in the use of manpower resources, and financially stronger than each individual company," he said.

Indeed, as laid out in the merger document, the amalgamation of the two companies promised to create an entity with enough financial resources to venture further afield to pursue bigger projects. This was especially important given that success in the land transport business hinged heavily on size and scale.

Mr Choo Peng Yen, who was Vice-President of Business

Development then, recalls how anxious everyone was at that time. "All of us obviously had a certain degree of anxiety, but work had to go on. This continued for a couple of months. It became a topic of conversation over lunches but we soldiered on and we knew that the merger was the best solution for the two companies."

Working hand in hand, unionists from the National Transport Workers' Union (NTWU) and the management focused on engaging the workers, going round to assure them that retrenchment would be conducted as the last resort, and not as an act of expediency.

Union stalwart and Director, Mr Ong Ah Heng, remembers: "We went down to the ground to talk to the workers, to understand their worries and to allay their fears. Through the actions of the NTWU and the management, affected workers were assured that redeployment and re-training would be done first, and if retrenchments were inevitable, there would be fair compensation. The NTWU, with the support of the management, also promised to help the retrenched workers find new jobs."

COMING TOGETHER AS ONE

It was not just headcount which was reduced. Other resource duplications were also whittled down.

In the taxi business, for example, operations were merged. Mr Yang Ban Seng, CEO, ComfortDelGro Taxi Business, recalls: "With the merger came the challenging task of operating Comfort and CityCab taxi fleets as a single entity for cost efficiency as well as to serve our drivers and commuters better. It started with putting everyone under one roof in Sin Ming.

"Roles of staff had to be changed and expanded. Different policies and information applications had to be aligned and integrated. The biggest task was to migrate the entire 10,000 Comfort fleet onto the new call despatch system smoothly without inconveniencing drivers and affecting the service level to booking commuters. It was a challenge but we did it," he said.

Elsewhere, integration and consolidation were the order of the day. But it was not merely a numbers game. The spirit was to cut duplicate processes and generate efficiency and unity across the Group.

To this end, key corporate functions were consolidated at Group level and new positions created where it made sense. The position of "Group Officer" was created to oversee key areas like Finance, Human Resource, Legal and Internal Audit. Two other backroom functions – Information Technology and Corporate Communications – were also centralised for greater efficiency.

MD/GCEO Mr Kua recalls how he came about this decision to centralise.

"When you bring two large companies together you are bound to end up with many duplicate functions. Whether it was in finance or human resource, it was double of everything.

"I remember visiting the various business units soon after the merger and seeing data centres in practically every location. It was clearly a waste of resources. The same could be said for the way our communications was being handled. Can you imagine having over 40 newsletters and publications across the Group?"

As a result, Mr Ng Tong Sing joined the Group as its Group Information Officer in 2003 and Ms Tammy Tan came on board as Group Corporate Communications Officer the year after.

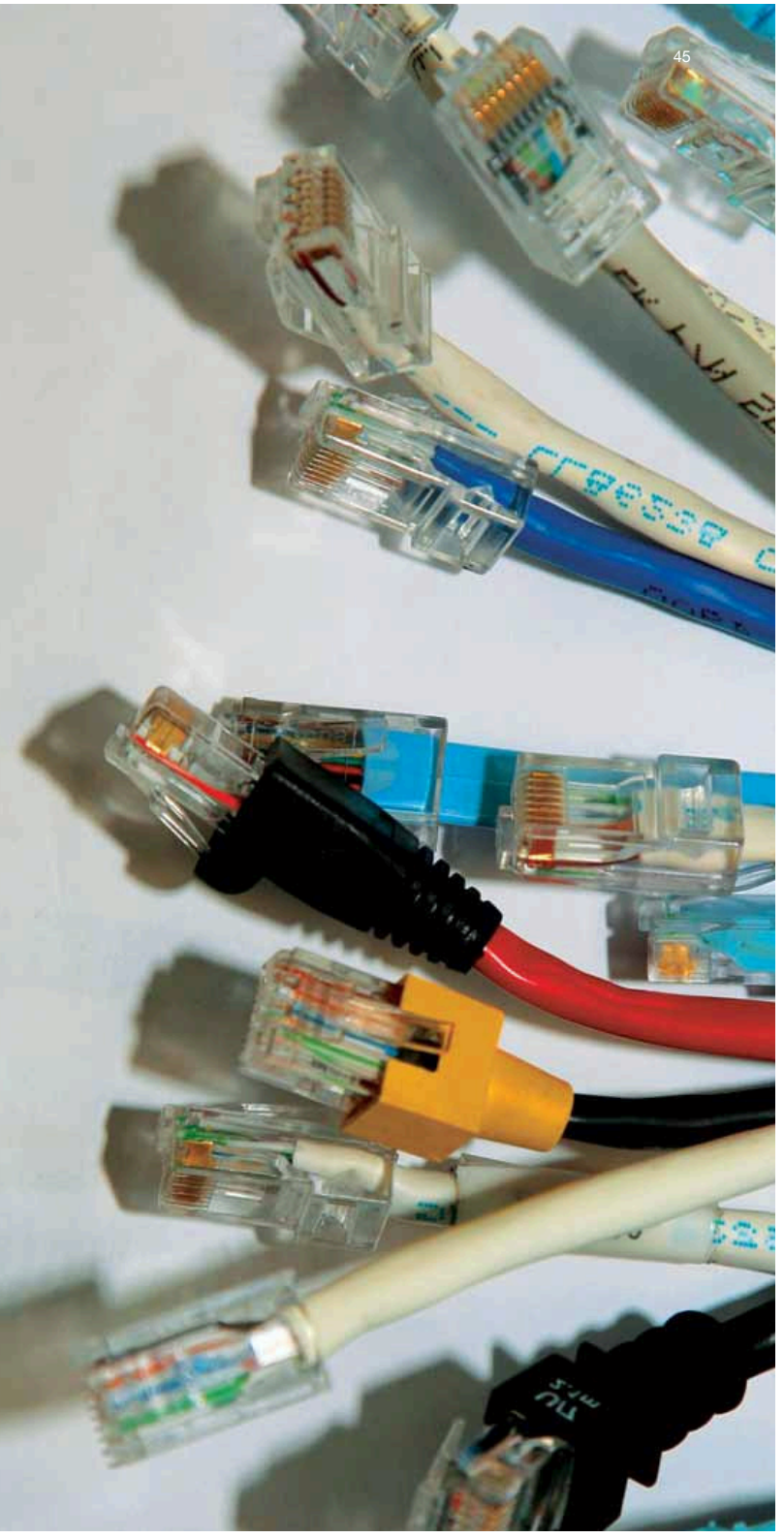
Mr Ng, who was Executive Vice President of Operations at Singapore Computer Systems Limited, remembers merging eight data centres in Singapore into two at Braddell and Sin Ming. Other IT resources such as servers, networks and infrastructure were also shared to realise economies of scale. In terms of manpower, there was restructuring of IT teams to remove additional headcount. At the same time, the many diverse financial, fleet management and fleet maintenance applications were upgraded and moved to a common system.

The end result: Massive savings.

"In 2003 and 2004, we saved a total of S\$3.8 million. This was followed by annual savings of about S\$5.2 million from then on," he recounted.

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Facing The Rail Challenge

When the Government built the new line to serve commuters living in the north eastern part of Singapore, it projected a daily ridership of 250,000. It seemed a fair estimate. After all, there was a demand for new housing and the area was earmarked as a new residential enclave.

But fair estimates had no place when the Asian financial crisis hit in 1997. Soon after, came the terrorist attacks of 11 September 2001. All projections were thrown off track. The post-911 economic downturn saw a massive slowdown in construction and housing development. Instead of heading for the new homes, Singaporeans were downgrading to smaller flats in older estates. Job losses meant that many had to hold off on their planned purchases of new homes in the north-east.

And so instead of 250,000, the slick, new trains were picking up and dropping off just 170,000 passengers a day. The shortfall translated to projected losses of between S\$20 million and S\$40 million a year, and pundits were predicting losses right up to 2010.

This slashed the profits of North East Line (NEL) operator SBS Transit to just S\$1.5 million in late-2003. And, as if the NEL balance sheet was not enough of a worry, SBS Transit was poised to take over the LRT system in the new estates – Punggol and Sengkang – which were yet to be fully inhabited.

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The Emptiest Station In Singapore

In these difficult times, the critics, not surprisingly, came out in full force. They questioned the sense in merging the two companies. They questioned the viability of the NEL and wondered if it would be the downfall of the newly merged Group.

Against this storm, Mr Kua and his colleagues stood their ground. Not out of blind faith, but on careful calculation and detailed analysis of the situation.

Costs, said Mr Kua, would come down. This was because the Company had erred on the side of caution at the beginning by spending more on the safety aspects of the system. These would no longer be needed once the system was more mature. It was also obvious that ridership, while low at that point in time, would rise eventually.

Gradually, Mr Kua's steadfast optimism spread down the line to the NEL staff, even as they saw for themselves the difficulties that the NEL was facing at ground level.

At Punggol station, Station Manager Huw Yew Sin was keenly aware of how empty the station was. "When we compared our station with other stations of more mature estates along the NEL line, we had the lowest number of passengers. It was disappointing, of course, but we knew that it was not going to be forever. Meanwhile, we knew we had to do something," said the gusty lady who is now a Duty Operations Manager.

So, Ms Huw and her colleagues got to know their customers better and conducted tours of the new NEL stations for residents in the new and old parts of Punggol.

The message was clear: Here's a new line which is not only going to give you a comfortable ride, but will also get you to your destination faster.

While efforts were taken to boost the top line, attempts were being made to cut costs to prop the bottom line. The temperature in the stations was, for example, adjusted to cut down on electricity bills. During the day, the temperature was raised slightly from 25 deg. C to 26 deg. C. During the night, this went up gradually, as the ambient temperatures fell and fewer and fewer passengers entered the stations. From 26 deg. C, the temperature was slowly turned up until it hit a maximum of 29 deg. C at 12:30 am, when the stations closed. This simple move saved the Group an estimated S\$300,000 a year.



We conducted many sessions in the evenings to engage the communities, to explain to them the safety features on the trains and how they can obtain assistance from the Operations Control Centre if needed. We also invited students, grassroots leaders and senior citizens to visit our facilities and let them have the opportunities to operate some of the safety features.

Driverless But Safe

People were excited about the new trains – but they were also worried. The trains, they lamented, had no drivers – so wouldn't this be extremely dangerous especially in times of emergency?

At the time, the NEL was the first, heavy rail driverless metro in the world, so concerns about the "phantom trains" were valid. But also unnecessary.

So, in the run up to the June 2003 launch of the service, SBS Transit went about convincing would-be commuters that the driverless trains were just as good, if not better. It organised free rides, orientation tours and even conducted disembarkation exercises for different groups of passengers including students, grassroots leaders and senior citizens. It took great pains to explain how the Operations Control Centre was able to do more and react better to situational changes – better than any single driver could.

Mr Wong Wai Keong, Senior Vice-President (Rail Business Area), recalled: "We conducted many sessions in the evenings to engage the communities, to explain to them the safety features on the trains and how they can obtain assistance from the Operations Control Centre if needed.

We also invited students, grassroots leaders and senior citizens to visit our facilities and let them have the opportunities to operate some of the safety features."

For example, these residents tested the emergency features of the train door and passenger emergency communication system. They also watched a customised safety video which was played in the station and on board trains.

The groundwork paid off. On 20 June 2003, when the trains rolled out on their first NEL service, more than 140,000 passengers hopped on. Over the months that followed, more and more people got used to the idea of riding trains without drivers, as they saw for themselves how safe the system was.

Recalled Mr Simon Lane, then Chief Operating Officer for rail operations, "The first year had gone extremely well and it reflected the commitment of many people, the Land Transport Authority engineers, the contractors and of course our wonderful people, many of whom were new to Rail Operations."

Giving Back To The Community

The Group's work on the ground was not limited to harnessing support for its trains. As part of its philosophy to uplift the community which it serves, NEL donated its first Sunday's fare collection to the 24 Citizens' Consultative Committees along the NEL corridor.

Member of Parliament, Madam Cynthia Phua, remembers the gesture, and using the money to fund bursaries for the poorer children in her division. "To me, that was giving back to the community in a very tangible way."

Facing The Oil Challenge

When the Group was formed in 2003, oil prices were trading at an average of US\$29 a barrel. The prospect of a US\$100 barrel of oil was an obscure and distant one. Fast forward to 2008. Oil at US\$100 a barrel has become a reality and some quarters are even talking about US\$200 a barrel by 2009.

Yet, ComfortDelGro has managed to keep fuel costs largely in check – through strict cost containment measures and clever hedging activities.

Ms Evelyn Tan, Senior Vice President, Group Finance, recalls: “Over recent years, oil prices have risen from over US\$20 per barrel to hit the US\$100 per barrel mark. Amidst the extremely volatile oil price movements, fuel hedging has been very challenging. Indeed, monitoring the dramatic movements and developments is very stressful but taking decisions on fuel hedges is the most challenging part.”

It helps that Mr Kua is always there to lend guidance, said Ms Tan.

“MD/GCEO takes the lead in this role and will make time for discussions on this subject no matter where or how busy he is. I recall one occasion when he had to make fuel-hedging decisions during his jogging session as the markets wait for no man. He also doesn’t mind the late night SMSes I send to inform him of the hedges I have executed during the London and New York trading hours and he will always reply with a “Thank You”.”

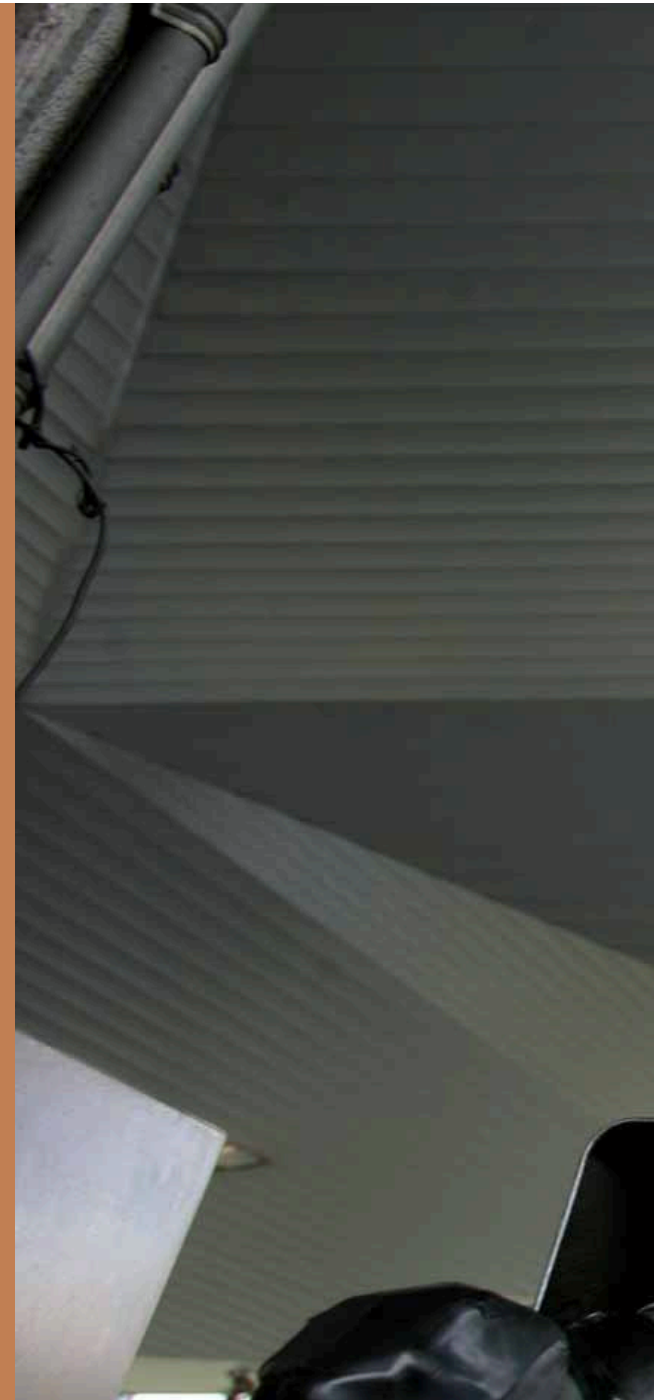
This attention to a crucial detail did not escape the Board’s notice. As recorded in the Group’s 2004 Annual

Report, Chairman Mr Lim recalled how “the unexpected culprit” in eroding profits that year was “the dramatic increase in fuel prices.”

He continued: “Huge losses were however averted. We have to thank the Managing Director/Group Chief Executive Officer, Mr Kua Hong Pak, for his ability and foresight in dealing with the problem. He had systematically hedged our oil requirements and saved the Group about S\$23 million, representing about 7% of our profit before tax. This is highly commendable.”

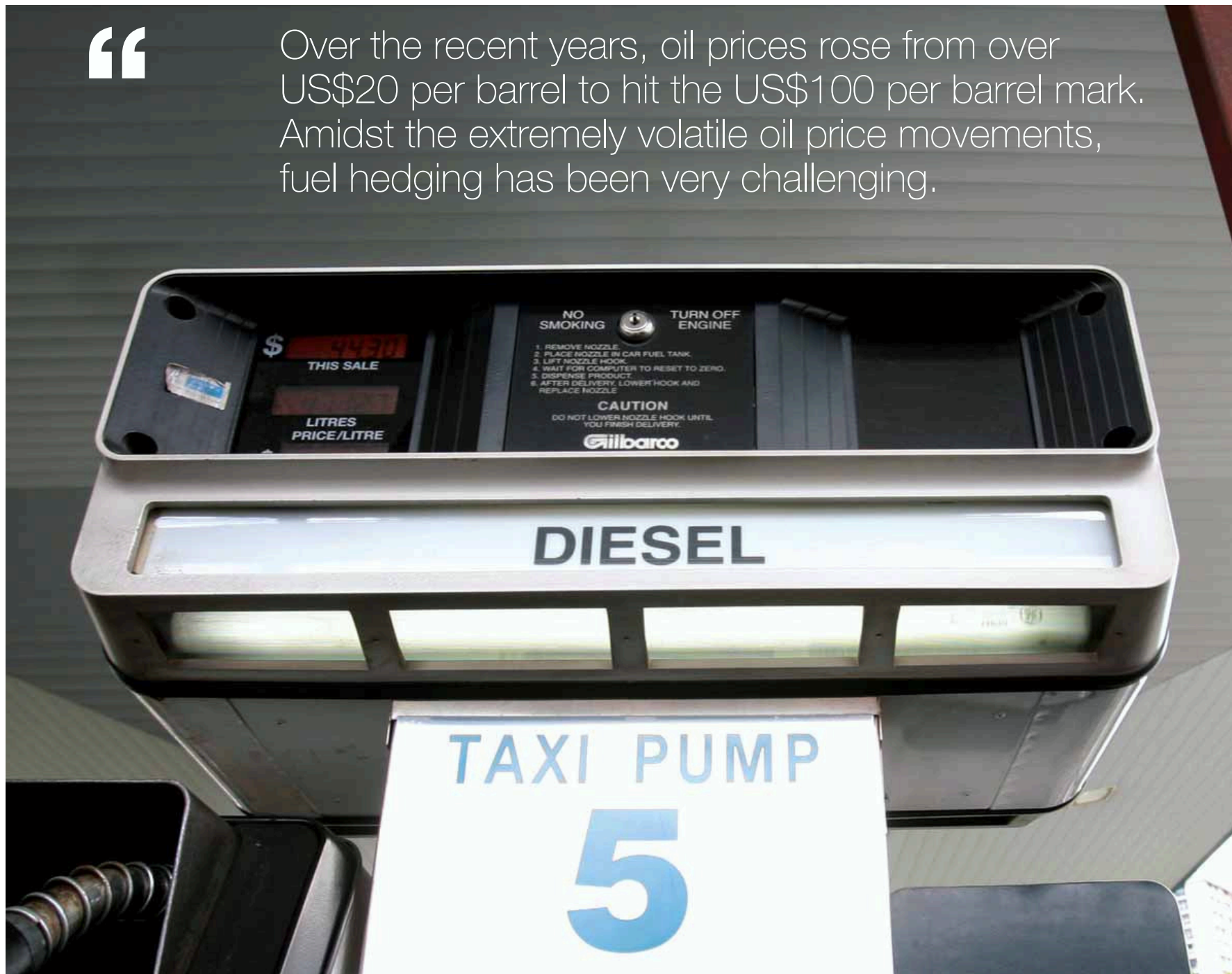
The Group’s dexterity in the oil markets also caught the attention of the leaders of one of the oldest and largest transport state-owned enterprises in China. Recalling how Mr Zhang Yi Lin, Deputy President of the Shanghai Jianyun Group (SYJ), was bowled over by the Group’s success in hedging, Mr Michael Liew, ComfortDelGro’s General Manager, East China Business Unit, said: “Deputy President Zhang was impressed with the way we hedged our expenses on oil and said that it would be useful to learn from us, for the operations of his own company.”

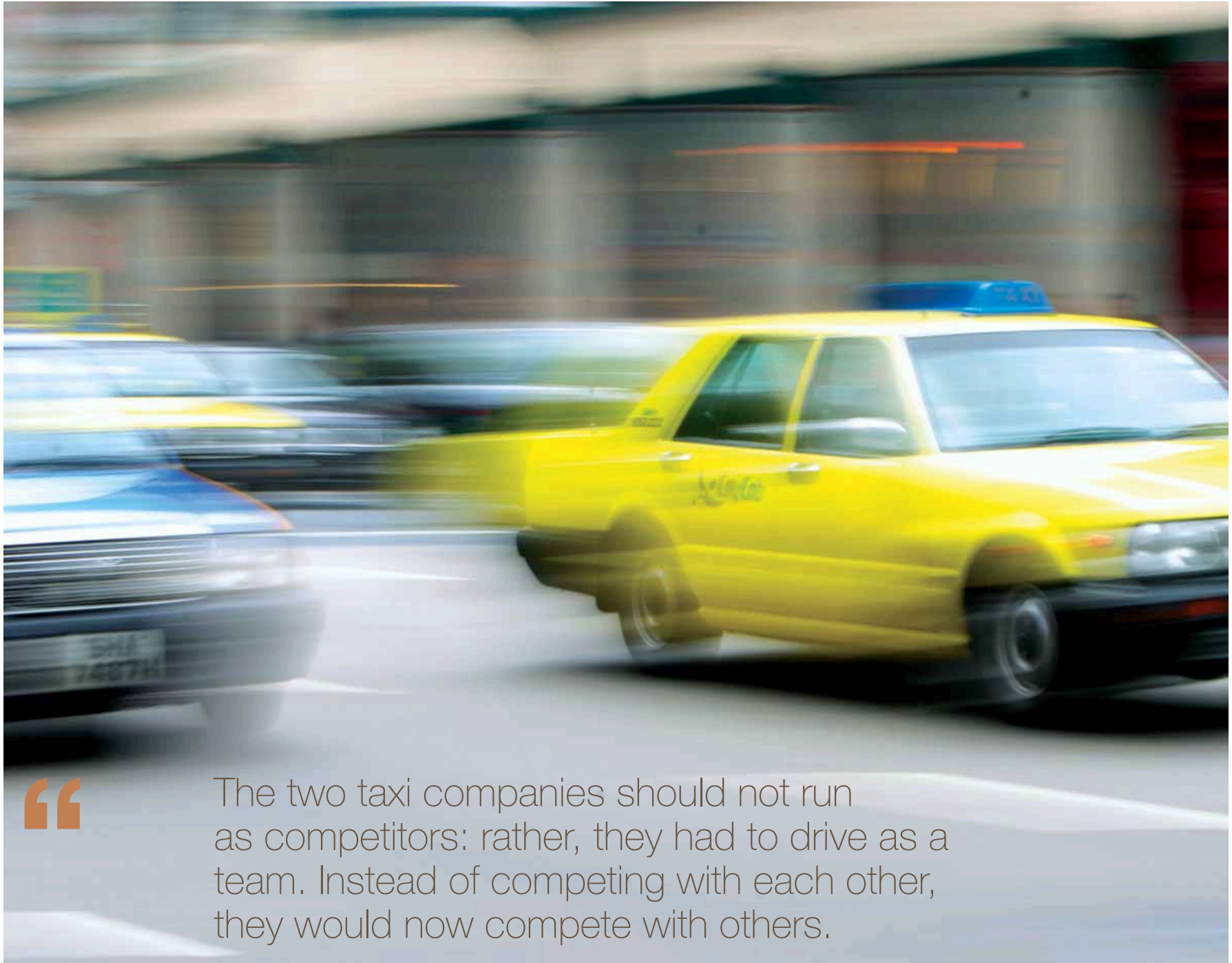
Aside from navigating the markets, the Group also worked hard at driving costs down. For example, it reduced its monthly power bill through a slew of measures including reminding staff to switch off the lights and computers when they left their offices and raising the average temperatures of the offices. Even tyres were pumped with more air so as to cut down friction with the roads and thereby reducing the need to step on the accelerator.



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Facing The Taxi Competition

In the world of business, friends can become enemies overnight, just as foes can become partners. This is precisely what happened with two of Singapore's largest taxi companies.

Comfort Transportation and CityCab which originally were part of the Comfort Group and DelGro Corporation, respectively, became sister companies on 29 March 2003 when their parents tied the knot. But the two continued to operate separately, maintaining two different call centres, two different fleet management teams and different incentive programmes. It didn't make sense. The two taxi companies should not run as competitors: rather, they had to drive as a team. Instead of competing with each other, they would now compete with others.

In June 2005, they did. While the two fleets kept their distinct colours and branding, several back-end operations were put together, including the call centre. As a result of this amalgamation, the Group's taxi business in Singapore became better equipped to do battle with the new operators that had come onto the scene the year before.

Armed with new vehicles, the new taxi operators had some initial success drawing drivers. But ComfortDelGro upped the ante. Not only did it fast forward its fleet renewal programme, ensuring that the "new car factor" was taken out of the equation, it also enhanced a slew of benefits for its drivers, ranging from fuel rebates and medical scheme top-ups to scholarships and bursaries for cabbies' children. The icing on the cake was, however, the diesel rebates and discounts which were given to drivers. These discounts and other benefits, which amounted to a whopping S\$221 million for the five-year period starting 2003, helped

to ease the effect of record oil prices. These helpful measures succeeded not only in retaining drivers and recruiting, but also in drawing back those who had left.

The Group also helped its drivers upgrade their skills by launching a series of programmes including the Taxi Tourist Guide course which cabbies like Mr Tommy Ong immediately signed up for.

The former station manager of a courier company joined Comfort in 1996 after he was retrenched. The plan then was to earn some income as a cabby whilst looking for a "real job". But Cabby Ong grew to love driving his taxi and decided to turn it into a full-fledged career. He upgraded his skills, taking up tourism courses. He upgraded his Toyota Corolla to a Toyota Crown and subsequently opted for the high-end Mercedes cab.

Ten years on, Cabby Ong is still faithfully flying the Comfort blue flag.

"I've come to build a good relationship with the management and staff," he says, "they always give me recognition for the good service I provide and have made me feel like I'm part of a family."

But it's not just the happy environment and personal satisfaction that keep him under the ComfortDelGro umbrella, said the man who has twice won national recognition as Tourism Host of the Year. It is also the good reputation that ComfortDelGro has built over the years.

"Many years back, I picked up some tourists from Indonesia, and in our conversation, they said they would only take "Comfort".

"When I asked why, they told me that they felt safer. That, to me, was a proud moment."

FACING CHALLENGES ABROAD

A large, stylized, brown letter 'W' graphic, positioned at the start of the first paragraph.

With an expanded global fleet, a stronger balance sheet and a full complement of land transport capabilities, ComfortDelGro was ready to take on the world. Through its predecessors, it had already built up a presence in the United Kingdom, Ireland, China, Vietnam and Malaysia. But many of these investments were small in size and scale.

The time had come to make a bigger impact on the global land transport scene.

How big? Well, big enough to ensure that the Group derived 50% of its total turnover from overseas within five to seven years of merger.

This, said Minister Lim Boon Heng, who was the NTUC's

Secretary-General back in May 2003, is a "good example of how Singapore companies should dream big and boldly venture overseas".

In delivering his speech at the launch of the Group's new corporate identity then, he said: "As the environment changes rapidly, a broader revenue base can shelter the company from changing market conditions affecting any one country or industry. Venturing overseas carries risks. It requires a strong team of people and strong financial resources. Being a bigger merged entity with greater financial strength and muscle, the Group is well placed to expand its overseas businesses and achieve a wider geographical reach."

GLOBE TROTTERS

Mr Choo Peng Yen, who is currently the General Manager of North-East China Business Unit, recalls how the pace picked up after the merger. “You could see it by comparing the list of projects we had before and after. Before the merger, we travelled less, but after, it was definitely more.

“There was a new sense of mission. We knew the local market was this small, and there was only that much potential to grow. We had a new target to meet – 50% of Group turnover to come from overseas.”

And there was a physical reminder to spur the business development team on – in the lobby of the ComfortDelGro headquarters in Singapore is a large map with dots indicating where the Group already had investments.

“It’s a lighted map, it’s very clear, and the more dots you add, the more it becomes a visual affirmation of what we have done. It’s the first thing you see when you come in; it was deliberately placed there to show the global nature of ComfortDelGro,” he says.

“If the company had erected it before the merger, it would probably have a few dots here and there. But we erected the map in 2005 and have kept adding to it.”



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DELGRO

JOURNEY TO THE MIDDLE KINGDOM

A large, stylized, dark brown letter 'W' is positioned at the start of the first paragraph, serving as a decorative drop cap.

With its burgeoning economy, rapid population growth and increasing wealth, China was quickly identified as a key investment site. ComfortDelGro could see great potential in Asia's fastest rising giant.

Led by Mr Kua, the management wasted no time in pursuing investment opportunities in the Middle Kingdom. The plan was simple: Grow its existing portfolio of 5,642 taxis and 553 buses by focusing on less traditional investment destinations like Shenyang, Chengdu and Jilin.

Over the next few years, the Group lost no time in pumping in hundreds of millions of dollars across several China cities. By 2008, over S\$300 million had been invested in the booming economy, making it the Group's single largest overseas investment destination.

Throughout the expansion, the game plan was simple: Pick joint venture partners with proven track records and sizeable fleets. Where possible, aim for a majority stake, and most importantly, understand the culture and the operating environment.

Leading the charge was the Group's MD/CEO, Mr Kua. Often accompanied by Chairman Mr Lim, who also chairs the Investment Committee, the power duo met top officials and businessmen, checked out the competition and weighed investment opportunities.

For them, it is not merely a matter of building "guanxi" for business. To them, it is always about friendship and sincerity. In fact, Mr Kua has such close links with China that he has been made an honorary citizen of Shenyang.



A blurred night cityscape with warm lights and a neon sign.

**BRIGHT
LIGHTS,
BIG
CITIES**

Suddenly, ComfortDelGro had metamorphosed into the city's largest transport operator, with a fleet of close to 1,300 taxis and 1,800 public buses.

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One of the first cities that ComfortDelGro poured its efforts into was Shenyang. The Liaoning capital was not maiden territory for the Group given that it had been operating taxis there since 1996 through its predecessor. But the set up was small and as a result, incapable of leveraging on the immense growth potential that the city was able to offer.

So, in December 2003, the Group began what was to be a series of agreements aimed at increasing the size of the Group's presence in Shenyang. The first was the formation of Shenyang ComfortDelGro Taxi Pte Ltd, which had a fleet of more than 1,000 taxis. This was soon followed by a joint venture with Shenyang Anyun Group to run public bus operations in the city. In the same year, ComfortDelGro also bought over the bus routes and operating assets of Shenyang Passenger Transportation Group, the city's largest public bus operator. Suddenly, ComfortDelGro had metamorphosed

into the city's largest transport operator, with a fleet of close to 1,300 taxis and 1,800 public buses.

But the Group was not after mere aggregation. Each acquisition represented an opportunity for injecting efficiency and quality.

Over the next few years, the Group modernised its bus fleet in Shenyang, re-launched many of the services and became a forerunner in service quality and reliability. One of the most visible improvements it made was to replace many of the old buses with new 12-metre long, Euro II buses which came equipped with interior lighting, pre-start ignition systems, padded handrails, cushioned seats and electronic signboards – a first in Shenyang.

The backend operations of the taxi business were also merged to achieve synergies and reduce costs, in yet another example of ComfortDelGro injecting its management expertise to its acquisitions.



The same sort of expansion was going on in the capital of Beijing.

There, the Group built on the foundation of its earlier ventures – 55%-owned Beijing Jin Jian Taxi Services Co., Ltd and Beijing ComfortDelGro Yin Jian Auto Services Co., Ltd.

While Shenyang represented its largest bus operations, Beijing was the Group's largest taxi venture: no less than 5,000 vehicles. The Group became one of the top three taxi operators in the Chinese capital through Beijing Jin Jian, which today commands an 8% market share of the capital's taxi industry. Looking ahead, ComfortDelGro sought to stamp its own brand of excellence on its people – training and preparing hirers for the 2008 Beijing Olympics by sending them for courses in English, service quality and image-building.

In Beijing ComfortDelGro Yin Jian Auto Services, a car rental and leasing company, the Group staved off intense market competition and differentiated itself from competitors by pursuing a strategy based on high standards of service.

Adding to the taxi and rental car industry was an 80% subsidiary, Beijing Tian Long Da Tian Vehicle Inspection Co., Ltd, which provided vehicle safety and emission inspection services. It represented the diversification and total approach to transport that ComfortDelGro sought in its expansion across the world. In January 2005, Beijing Tian Long Da Tian Vehicle Inspection added new diesel inspection lanes, joining the less than 20 inspection centres in the city that ran such lanes.





Another city that drew ComfortDelGro's interest was Chengdu. This southwestern city was being built up rapidly by the China Government as part of the Western Region Development Plan.

Recalling, Mr Kua said: "I was reading about the emphasis being placed by the China Government on the development of the Western Region and I felt that there could be opportunities there that we could tap. But we did not know anyone there. So I asked Simon Tan, who was then our General Manager in Shanghai, to go and make cold calls on the authorities – never mind the cost of the trip."

And so began Mr Tan's journey to the west.

"I started knocking on doors in Chengdu in October 2003. By that, it means that I had to contact friends who knew someone who knew someone before finally reaching the Superintendent of the Transport Commission, Mr Wang Jian Bo. Through him, I was able to arrange a meeting between the Chairman, MD/GCEO and the Commissioner of the Transport Commission, Mr Huang Ping," said the former policeman who joined the Group in 1995.

Thinking back, Mr Tan admits being a little apprehensive when he first went to Chengdu. "Initially, I was worried that the trip would not result in anything fruitful and I would have

nothing to show for it at the end. However, the confidence that Mr Kua has given me led me through all the way."

Such perseverance paid off. In 2004, the Group entered into four ventures in Chengdu.

All ventures saw rapid expansions with the influx of investment from ComfortDelGro. A case in point: ComfortDelGro Rent-A-Car (Chengdu) Co., Ltd which started in June 2004 with just six vehicles and went on to run 85 by 2007. In fact, the business did so well that it went on to set up a branch office in Dalian that same year.

It wasn't just about physical expansion. The Group was also bent on improving the quality of life of those it worked with and those it served. For example, it was the first to introduce electronic payment for taxi hirers to pay their rentals. The value-added service – already in operation in Singapore – represented a mini-revolution in Chengdu's transport scene. It not only cut down on time needed for drivers to travel to the office to pay the rentals but also cut down on paperwork.

Apart from car rental, ComfortDelGro also ventured into the car distribution and driving school businesses in Chengdu, as part of its goal to become a multi-modal, multi-dimensional transport stronghold.





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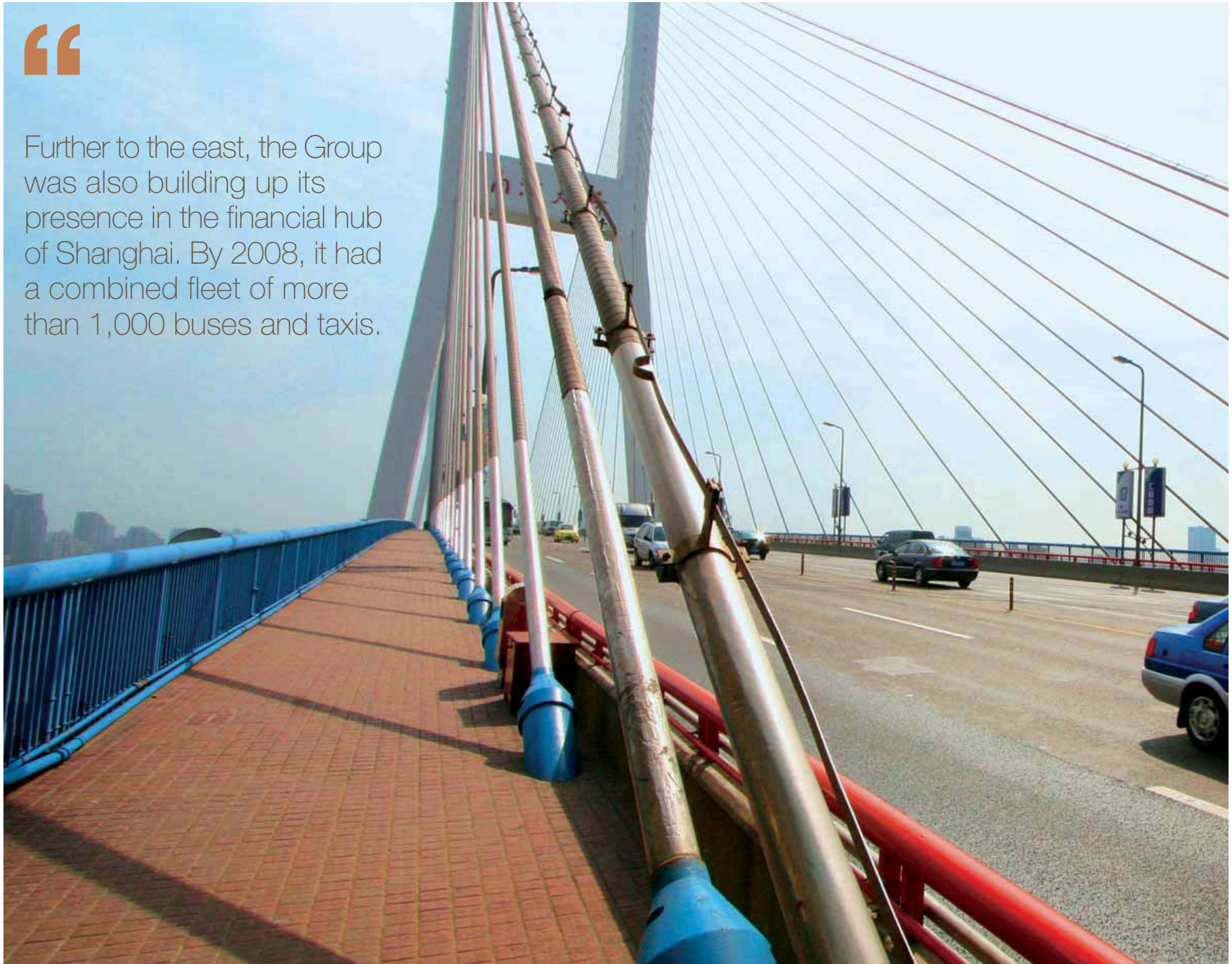
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Further to the east, the Group was also building up its presence in the financial hub of Shanghai. By 2008, it had a combined fleet of more than 1,000 buses and taxis.

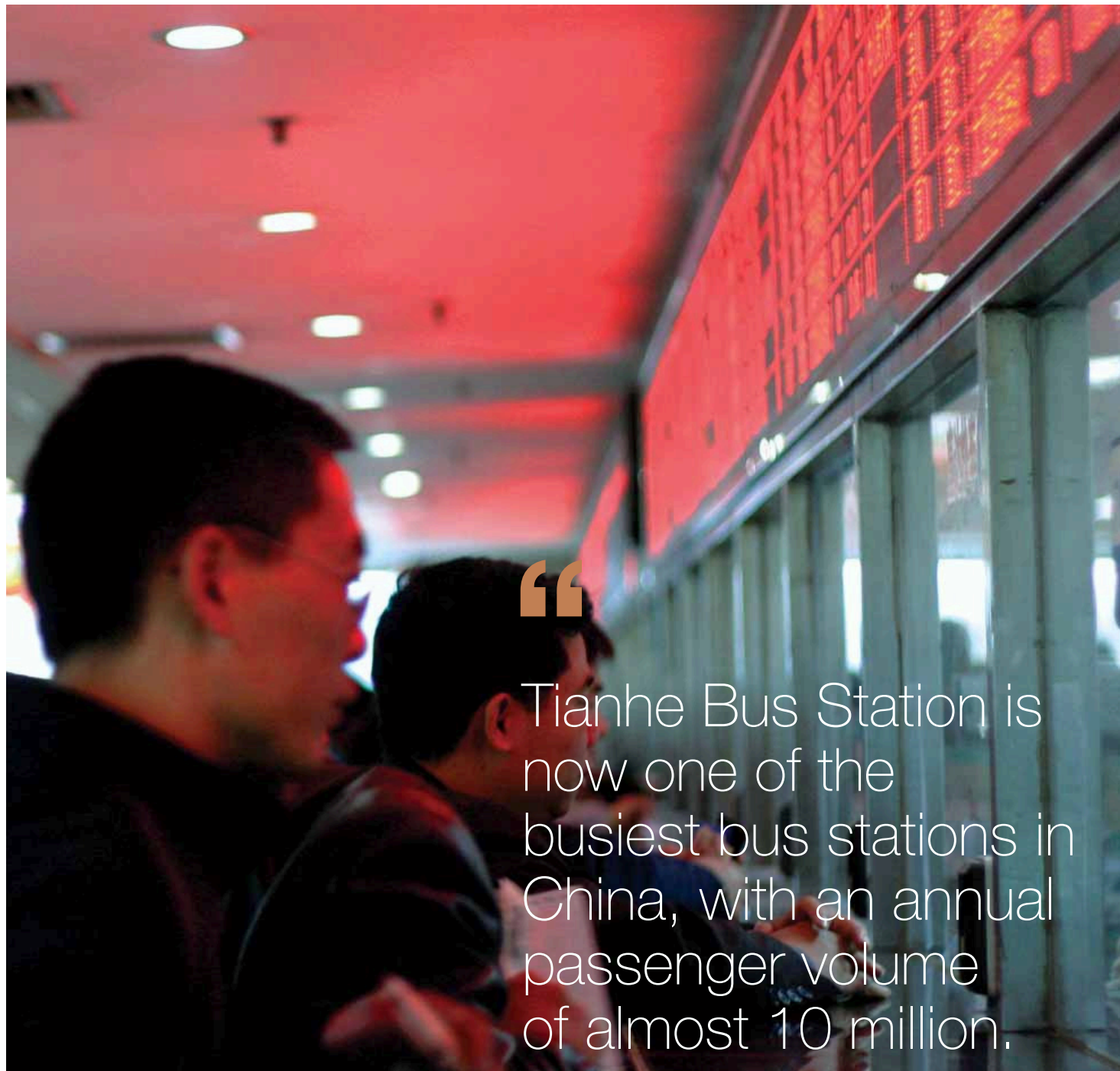




Further to the east, the Group was also building up its presence in the financial hub of Shanghai. By 2008, it had a combined fleet of more than 1,000 buses and taxis. In nearby Suzhou, the Group's taxi and car distribution businesses were also doing well. Suzhou Comfort Toyota Sales & Service Co., Ltd, for example, proved its mastery of the business by winning Toyota's Number One Dealer award for four years running. In February 2007, the Group added to its presence in Suzhou by entering the bus business there through a 70% stake in Suzhou Comfort Passenger Transportation Co., Ltd, an inter-city bus operation.

Indeed, demand for inter-city buses has always been strong – given China's huge migrant population. The Group was therefore keen to grow its bus station business in Guangzhou. And grow it did. Tianhe Bus Station is now one of the busiest bus stations in China, with an annual passenger volume of almost 10 million.





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VENTURING FUR

And it was not just the largest cities that became the focus of ComfortDelGro's attention. Less "traditional" investment sites were also keenly pursued as the Group sought to grow its presence in China.

In Nanning, the Group continued to acquire taxi licences, building on its position as the city's largest taxi operator with a fleet of nearly 600 by 2008. The same story was repeated in other cities like Jilin, where the Group increased its share of the taxi market through the acquisition of more licences.

In July 2007, the Group broadened its reach in China by investing in Nanjing – its 13th city there. The S\$17 million investment in Nanjing ComfortDelGro Dajian Taxi Co., Ltd,

the city's third largest taxi company, added to the wide range of transport businesses that ComfortDelGro had in its stable. These included a driving school in Chongqing, a taxi business in Xiamen and Yantai, as well as bus and taxi operations in Hengyang.

All these added up.

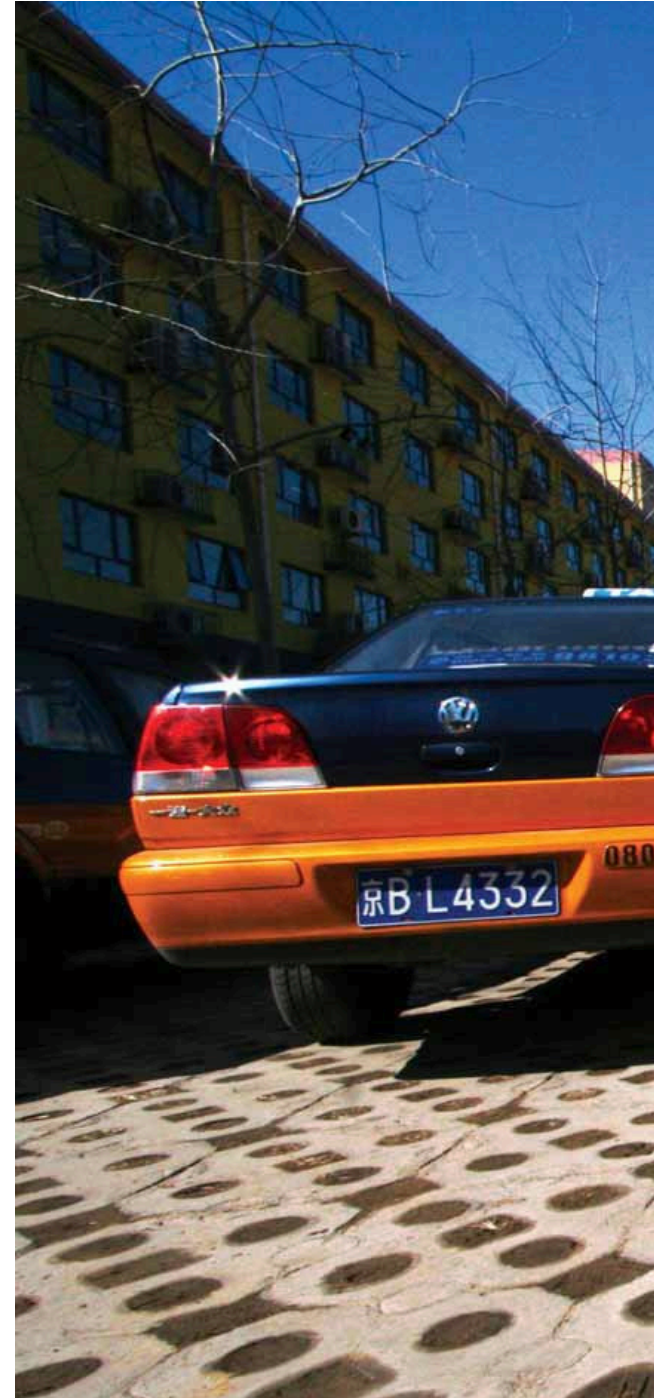
By 2007, ComfortDelGro's massive investments in China had made it the single largest foreign land transport operator in the country, with a wide range of operations spanning 13 cities. China is also the Group's single largest overseas investment destination.

The result was kudos across the country, as ComfortDelGro's various subsidiaries won a range of awards for their quality and service.

URTHER AFIELD

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In Shenyang, for instance, Shenyang ComfortDelGro Bus Co., Ltd and Shenyang ComfortDelGro Anyun Bus Co., Ltd won seven of the 10 awards in a public opinion poll organised by the Shenyang Evening Paper and the Shenyang Municipal Traffic Bureau in September 2007.

Beijing Jin Jian was commended by the Taxi Authority in 2007, while Shanghai Shenxin Bus Service was named the top service quality provider by the Shanghai Urban Transport Bureau. Partners had nothing but praises for the way ComfortDelGro worked with them to improve transport services across China.



Mr Chen Ying, Chairman of Shanghai City Qi Ai Taxi Services Co., Ltd, a partner in Shanghai, praised ComfortDelGro for its commitment to relationship building and its ability to understand and accommodate cultural differences.

“We have evolved from business associates to strategic business partners,” he observes. “We now see eye-to-eye on many issues, having overcome differences in management cultures and backgrounds. This gives our joint venture a good foundation to address issues posed by the challenging taxi industry in Shanghai.”

Likewise, the Deputy Chairman of Shenyang ComfortDelGro Anyun Bus Company Pte Ltd, Mr He Wen Jiang, said that ComfortDelGro had brought in exactly what the Chinese public transport industry needed: large capital outlays and a strong dose of sophisticated management skills.

“While ComfortDelGro has reaped good returns from its investment in Shenyang,” he adds, “its advanced management style has brought about a refreshing change to our public transport industry. ComfortDelGro has a great corporate culture and we have benefited from it. The past three years have been fruitful for both parties.”



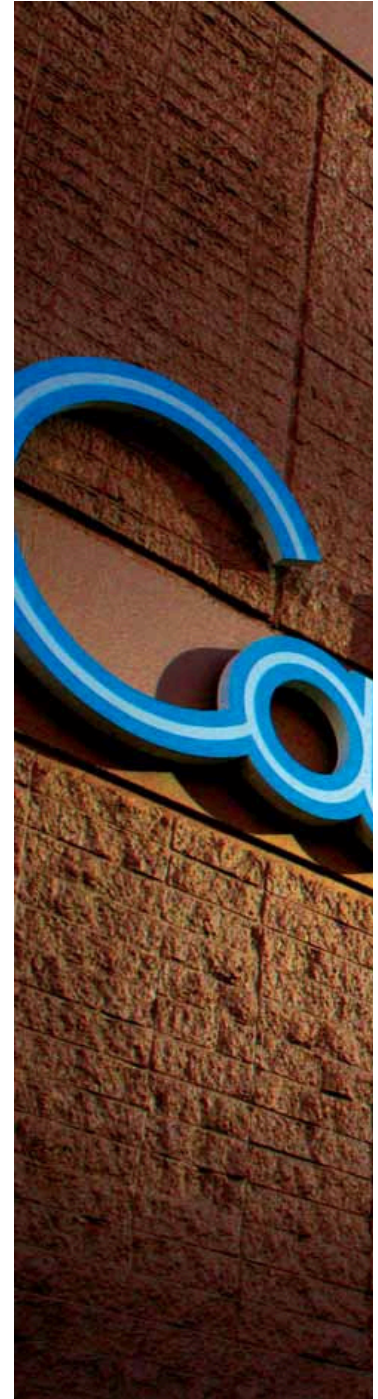


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VOYAGE DOWN UNDER





In its efforts to expand abroad, ComfortDelGro did not limit itself to emerging markets like China. It also took on developed, and sometimes, quite mature, transport markets.

One of these was Australia, which ComfortDelGro entered into in a big way in October 2005 with Cabcharge Australia Limited. The pair set up a joint venture called ComfortDelGro Cabcharge Pty Ltd to acquire the Westbus Group, a loss-making bus company in the country's most populous state, New South Wales (NSW). In no time at all, ComfortDelGro Cabcharge was able to turn it around, becoming the toast of the town.

Besides introducing new services like the express bus service on the North-West Transitway – a dedicated bus road connecting the new suburbs in the north-west of Sydney to Parramatta, ComfortDelGro Cabcharge also looked at improving the scheduling of many of its services. As the largest private bus operator in NSW, it also played a significant role in the community, providing for example, special services to teams competing in the International Wheelchair Rugby competition in 2007.

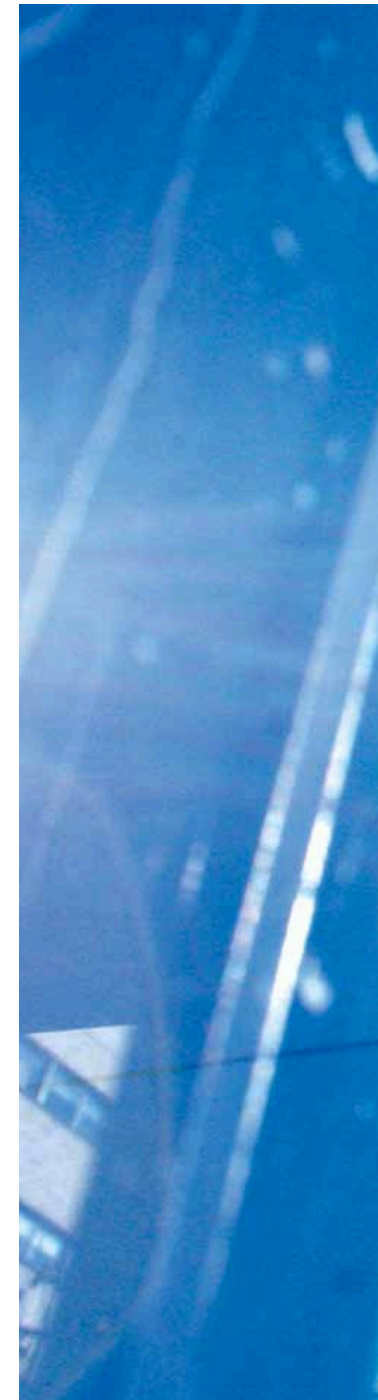
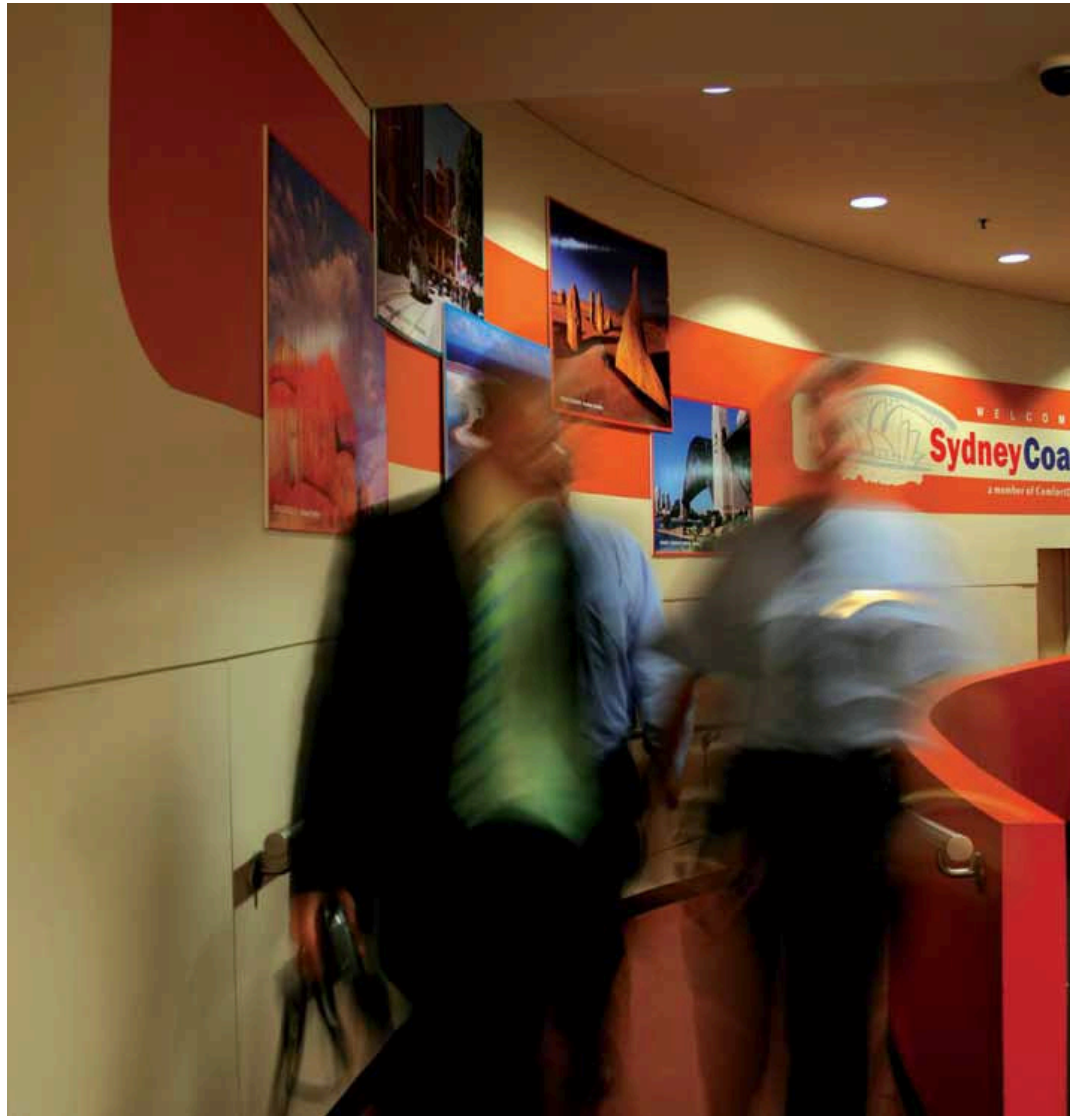
Knowing full well how size and scale are critical to any land transport operator's success, ComfortDelGro Cabcharge went on a acquisition trail. Barely nine months after it began operations, it acquired the bus routes and assets of Holroyd Bus Lines Pty Ltd. This was followed a year later by Toronto Bus Services, a bus and coach operator in the Newcastle region of NSW. The acquisitions reflected the Group's strategy of taking over neighbouring bus operations to achieve operational scale and efficiencies. By 2008, ComfortDelGro Cabcharge was operating close to 850 buses, a-third more than when it started out barely three years earlier.

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The Group also branched out into coach services following its successful bid for the operation of the Sydney Coach Terminal.

Mr Jim Glasson, the Director General for the Ministry of Transport in New South Wales, was all praises for the new kid on the Aussie block.

“We were looking for efficient bus operators with good experience in customer service and all the things that go with the public’s view of a good public transport

system,” he explains. And ComfortDelGro, he adds, “certainly came with the right credentials to do just that. It had not only the experience but also possessed the right qualities of innovation and high levels of customer service”.

Such attributes did not go unnoticed. In 2007, the Australian Chamber of Commerce in Singapore awarded the Group the 2007 Business Alliance Award for its contributions to the Australian economy.



AustCham Singapore President, Mr John Dick, said: “ComfortDelGro is an extremely worthy recipient of this award, because its ties with Australian business are two ways. Its investment in Australia through its bus services joint venture with Cabcharge provides a vital service in New South Wales. Equally, its use of Australian goods and services in Singapore, such as Vigil Systems’ driver training technology and the Cabcharge taxi payment system, helps developing Australian technology businesses access the Singapore market.”

Mr Reg Kermode, the Executive Chairman of Cabcharge Australia, sums it up well as he speaks of the partnership between ComfortDelGro and Cabcharge.

“ComfortDelGro is a wonderful organisation,” he says, “it obviously has a global footprint. We very much appreciate being able to capitalise on the services it provides through its engineering services and its expertise in time-tabling. It has certainly brought a lot of knowledge through the management in the Board of Directors of ComfortDelGro.”



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EXPEDITION TO THE WEST

MEANWHILE, THE GROUP CONTINUED TO EXPAND ITS REACH IN THE UNITED KINGDOM AND IRELAND – WHERE IT ALREADY HAD OPERATIONS THROUGH ITS PREDECESSORS. FROM BRITAIN TO SCOTLAND AND FURTHER WEST TO IRELAND, THE GROUP WORKED AT STREAMLINING OPERATIONS, INCREASING ITS FLEET, ACQUIRING NEW ROUTES AS WELL AS INTRODUCING NEW SERVICES.





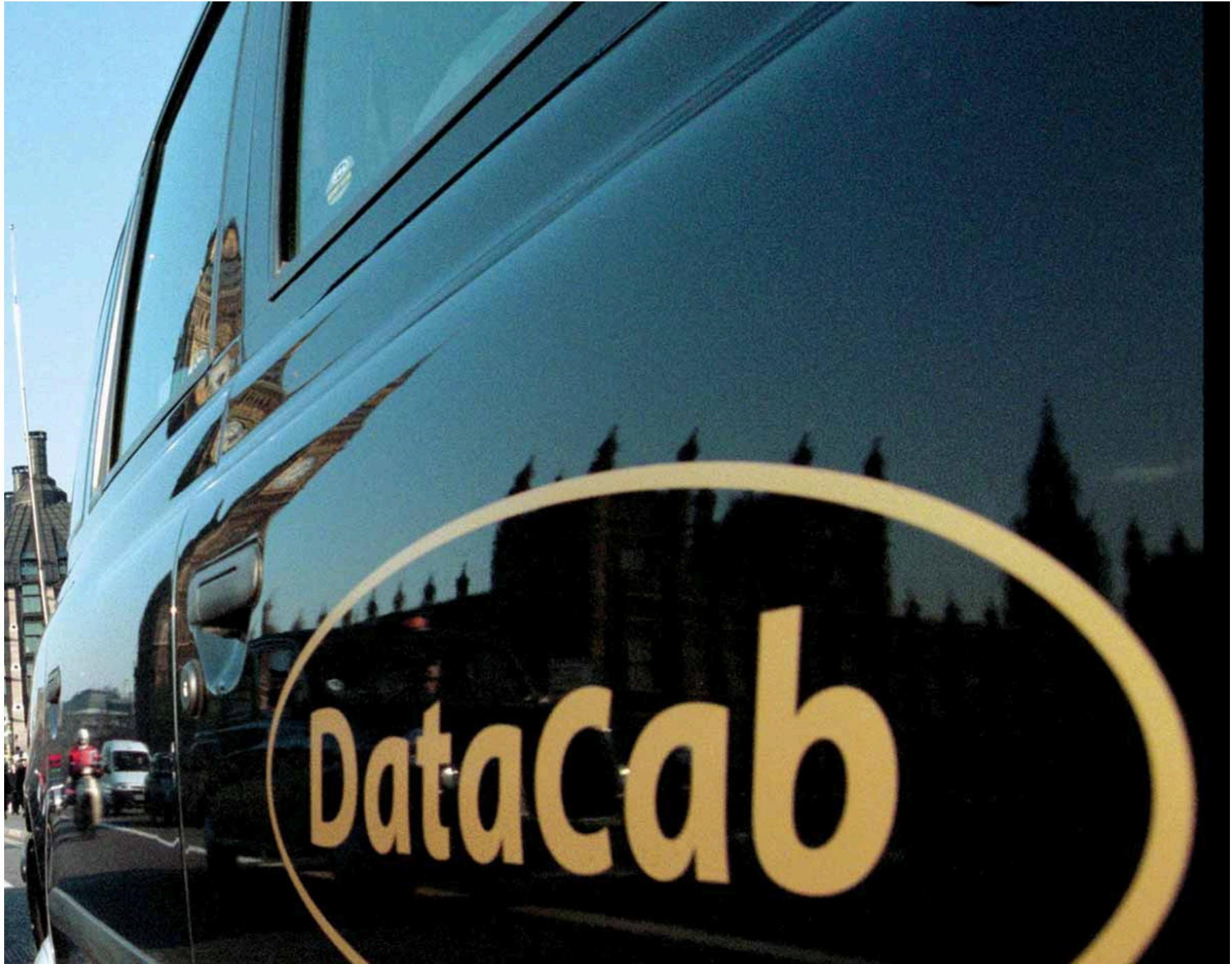
In London, the Group had, through DelGro, acquired Computer Cab plc, which has one of the largest taxi fleets on its radio circuit. Mr Kua saw that profits were languishing and that the company was less than efficient. He advised the management to right-size and reduce operating costs. Such advice was however met with lip-service, with no action taken. Mr Kua then cracked the whip and directed that staff strength be reduced by 15% across the board and call centres be merged for greater efficiency. These were implemented and in the following year, profits increased dramatically. Computer Cab went on to cement its leadership position in London and expanded its operations in Scotland.

In 2006, ComfortDelGro expanded into the private hire business to complement its taxi operations. In a span of a year the Group had acquired three private hire companies – in London, Edinburgh and Birmingham.

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In the bus industry, ComfortDelGro continued to grow its presence via Metroline, one of the five largest public bus operators in London. Other than organic growth, the company also embarked on several acquisitions over the years to grow its operations. It acquired F.E. Thorpe & Sons Limited and E.H. Mundy Holdings Ltd in 2004 to run even more buses in London. As a result, Metroline increased its share of the London bus network under contract to the Transport for London to 14%. In April 2007, Metroline embarked on expansion out of central London, with an investment in a route in Watford.

Outside of London, ComfortDelGro forged ahead with its expansion plans. In 2005, it entered into a joint venture with the Stagecoach Group plc, which enabled it to grow its inter-city coach businesses in Scotland.



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The Group also pursued similar efforts in Ireland. In January 2007, for example, its subsidiary, Citylink Ireland, introduced more inter-city coach services between Galway and Cork via Limerick, cementing its position as one of the country's leading road passenger transport operators.





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Throughout, ComfortDelGro's geographic and quantitative expansion did not take place at the expense of quality. Nor did the Group expand without strengthening its backend support functions. One of the crucial functions that it took care to build up alongside its rapidly-expanding transport network on the British isles was engineering.

After all, Metroline, the Group's wholly-owned subsidiary, was by 2007 plying more than 80 routes across a large swath of London, operating some 1,200 buses that needed to be maintained and run at the highest quality. More routes and buses were being added, which meant that the transport operator needed strong, reliable support to

cater to the fleet's growing engineering needs. At the same time, the focus on quality, on efficiency and quality-based contracts meant that revenues were pegged not to ridership, but to the mileage covered by the buses and how efficient ComfortDelGro's operations were. The need for strong engineering backend was not a luxury, it was a necessity.

So in 2007, the Group built and launched a new Central Engineering and Logistics Facility (CELF) at West Perivale. The facility not only kept the transport operator's buses in tip-top shape on the ground, but also lifted Metroline's engineering capacity, capabilities and quality to new heights.

Likewise, ComfortDelGro also paid keen attention to improving the quality of service delivery, investing in training and manpower needs. The efforts paid off – Metroline's top-notch quality soon had it topping the list of bus operators in the country. In 2005, Metroline won the Customer Service

Champion Award in the annual UK Bus Awards – a feat it repeated for three years running.

All these efforts made ComfortDelGro a major player in land transport in the United Kingdom. Not surprisingly, the Group's expansion has been warmly welcomed.

The Managing Director for Surface Transport in London, Mr David Brown, praises ComfortDelGro for its innovation and engineering quality, and says such companies bring innovative ideas and competitive products into the city.

"It is very important to have a company like ComfortDelGro come into the London market," he says. "They have been here since 1997. They add value to the market and look at innovative ways of performing. They are constantly looking at continual performance."

Such contributions have not gone unnoticed. In November 2006, ComfortDelGro was awarded the International Business Award by UK Trade & Investment for its extensive contribution to the country's land transport sector.

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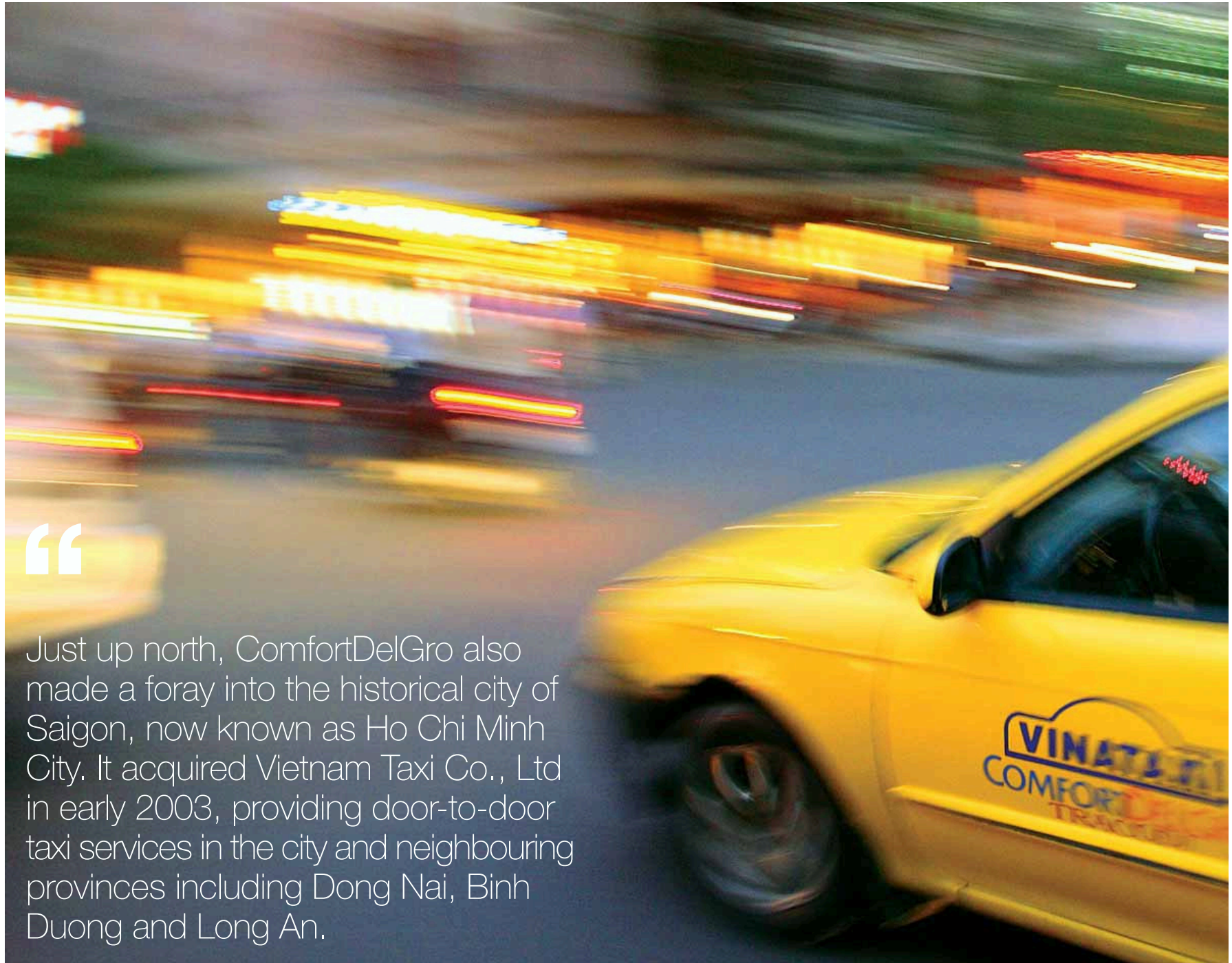








PASSAGE TO ASIA



Just up north, ComfortDelGro also made a foray into the historical city of Saigon, now known as Ho Chi Minh City. It acquired Vietnam Taxi Co., Ltd in early 2003, providing door-to-door taxi services in the city and neighbouring provinces including Dong Nai, Binh Duong and Long An.



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ven as it pursued opportunities further afield, ComfortDelGro ensured that it did not miss out on those that availed themselves closer to home.

In Malaysia, the Group operated CityLimo Leasing (M) Sdn Bhd, Pantas Rent-A-Car Sdn Bhd and DynaDrive Rent-A-Car Sdn Bhd, which together gave it a foothold in the car rental and leasing business across the causeway.

While the competition was stiff, the Group capitalised on its reputation for providing good and reliable service, retaining and winning new customers over the years. By working to enlarge market awareness, increasing sales channels and responding to market needs, it managed to secure new corporate accounts, boosting sales from the transient car rental market as well as in the highly-competitive corporate account rental market. By 2008, the Group was running 400 vehicles in Kuala Lumpur.

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From its start-up fleet of 400 taxis, the Group was soon doubling and then tripling its vehicle base in Vietnam. Aggressive efforts to recruit drivers and improve its corporate customer base and service quality enabled the Group to build a reputation for quality and strong commitment to service. In 2003, Vietnam Taxi Co., Ltd won the Guide Award for “Excellence Performance” – an award it continued to retain for the years following.

Mr Chia Chuen Huei, the General Director of Vietnam Taxi Co., Ltd, outlined how his team did it.

“What I did was to focus on the service quality and drivers’ discipline. That is to say, we paid attention to the service given by the drivers – such as greeting customers, reminding customers to check their belongings before leaving the taxi and go on. This was our strategy to build our brand name. Our efforts paid off. And with aggressive recruitment drives and couple with proper training of drivers, we expanded our fleet.”