Leong Sze Hian’s 60th Birthday

Leong is the Past President of the Society of Financial Service Professionals, an alumnus of Harvard University, has authored 4 books, quoted over 1500 times in the media , has been host of a money radio show, a daily newspaper column, Wharton Fellow, SEACeM Fellow, acting managing editor and columnist for theonlinecitizen, columnist for Malaysiakini, a Member on the CIFA International Advisory Board, executive producer of the movie Ilo Ilo (9 international awards), treasurer of Maruah, and invited to speak more than 100 times in more than 25 countries on 5 continents. He has served as Honorary Consul of Jamaica and founding advisor to the Financial Planning Associations of Brunei and Indonesia. He has 3 Masters, 2 Bachelors degrees and 13 professional qualifications. In addition to this compilation of his letters to the Today newspaper, he has also a few hundred letters published in other newspapers' forums, and a few thousand articles online in web sites like theonlinecitizen, TR Emeritus, The Real Singapore, etc.

Compiled by Edmund and Han Hui Hui

Foreword

In celebration of Mr Leong Sze Hian's 60th birthday, "Leong Sze Hian's 60th Birthday" (408 pages) is a compilation of Mr Leong's Letters to the TODAY newspaper, where the subjects that he touched on were those that affect the lives of ordinary Singaporeans and his educational as well as informative articles can allow many to benefit from his wonderful work: His selfless contribution to society and Singaporeans - in appreciation for his effort and time.

This was compiled in chronological order by Edmund as a birthday gift, and I rearranged them into 10 different topics, like HDB, CPF, etc, with some minor editing.

Han Hui Hui

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Business

Today, Tuesday, 28 May 2002

Letter by Leong Sze Hian

Please explain these SingTel minuses

I refer to the article, "Smart money – Singaporeans are now better equipped in the market", by Val Chua (Weekend TODAY, May 25-26).

Those who bought SingTel shares at the IPO price of $3.61 in 1994 are still having losses.

According to The Economist (Dec 1, 2001), SingTel was ranked in the bottom 25 out of 5,069 companies in the world, five years to June 2001, in the Wealth Added Index rankings. It also had a negative wealth added of minus US$29.9 billion (minus $53.7 billion) and total shareholder return of minus 10 per cent.

I understand that almost every Singaporean owns SingTel shares. So, can someone please help to explain in plain language what the above means?

Today, Monday, 3 June 2002

Reply by Tham Yim Kheng

Corporate Communications Manager

SingTel

Many ways to measure value created

I refer to the letter, "Please explain these SingTel minuses", by your reader Leong Sze Hian (TODAY, May 28).

There are many ways to measure how companies have created value for shareholders. The December 2001 issue of The Economist which Mr Leong cited, published a Stern Stewart report which discussed its Wealth Added Index (WAI), Market Value Added (MVA) and Economic Value Added (EVA) indicators. Each of these methodologies has its strengths and weaknesses.

The Economist, in its discussion of the WAI rankings, mentioned caveats and limitations of the methodology.

The Economist article cautioned that “Stern Stewart’s WAI assumes that stock markets are efficient in the narrow, academic sense, meaning that all investors are rational and agree on the best way to measure risk. Many market observers would question that assumption, especially after experiencing the technology bubble”.

The Economist also noted that “the WAI is skewed by size: Big firms tend to add or destroy more wealth, because the index is expressed in absolute terms rather than in percentage outperformance”.

This means that the performance of large companies is exaggerated. A $1 billion profit company will have significantly different rates of return.

According to a study by UBS Warburg for Finance Asia magazine in September 2001, SingTel was rated the second-highest EVA company among all Asian companies in the past five years, having created an EVA of US$809 million ($1.44 billion) from 1996 to 2001.

An MVA study also by Stern Stewart, published in the October 2001 issue of CFO Asia, ranked SingTel fourth, up from eighth position a year ago, with an MVA of US$19 billion.

In the last six years, SingTel has consistently improved its performance despite market liberalisation with increased competition, and challenging conditions such as the Asian financial crisis and worldwide economic downturn.

Earnings before interest, taxes, depreciation and amortisation (Ebitda) for the SingTel Group have grown by 38 per cent from FY 1996/7 to FY2001/2.

In recent years, SingTel has embarked on its regionalisation strategy to expand it revenue base and has seen success.

We are focused on maximising the potential of our existing businesses and regional franchise, with the ultimate goal of creating value for our shareholders.

Today, Wednesday, 30 October 2002

Letter by Leong Sze Hian

A costly nuisance

I receive calls on my hand phone and faxes every day from organisations marketing all kinds of products and services.

Every phone call costs me 20 cents and each fax about five cents.

I believe many other people are the targets of such marketing efforts. These not only inconvenience them, they are also probably pay millions of dollars in charges every year.

Marketing organisations should, instead, use direct mail, email or call fixed-line telephone numbers.

One reason why these organisations are increasingly resorting to hand phone calls and faxes could be that they cost them little, whereas direct mail costs are higher. They are passing on their marketing costs to consumers.

In the current economic downturn, it is particularly irritating to receive incessant calls and faxes which eats into the cash-flow.

Today, Friday, 29 November 2002

Letter by Leong Sze Hian

Credit concerns

Learn to incur less debt

I refer to the concern over rising consumer credit.

In developed countries like the United States, financial institutions are not allowed to advertise nominal interest rates for loans. They have to indicate the effective interest rates.

For example, in Singapore, some car loan rates are typically shown as 2.6 per cent (flat rate), for which the effective rate on a seven-year loan is 5 per cent.

Also, the interest rate credit cards can be as high as 24 per cent.

If Singaporeans understand the true cost of credit and its impact on their future, they may be less inclined to incur debt and will try to pay it off more quickly.

While it may be inevitable that Singaporeans will incur debts at some point, everyone could be encourage to do a credit management analysis periodically.

This involves calculating the effective rate of interest and ranking one's debt in order of the highest to the lowest interest rate.

One should also look at the statement of cash flows and try to manage and reduce cash out-flows, such as transferring bank deposits earning between 0.25 and 1.25 per cent interest, to reduce debt (after keeping six months expenses as an emergency fund).

He could also look at his statement of net worth to see if any assets can be liquidated to reduce debt, or obtain lower interest credit to reduce higher interest debt, closing avenues of credit like terminating credit cards and credit lines if desired.

Today, Weekend, 29~30 March 2003

Article by Lee Yew Meng

Before taking the plunge …

How good are investment linked policies?

There are people who buy insurance for protection but there are others who buy it for investment. A third group may chose to have both in the form of investment linked policies (ILPs).

But how good are ILPs, the investment vehicles used to invest money in different funds or underlying assets such as bonds, equities or a mixture of them in a country, region or the globe?

There are already complaints that ILPs are not able to deliver on the high rates of returns as promised in promotional flyers or advertisements. Sales are sluggish because of the bearish global markets in the past few years. Meanwhile, three out of four people who bought ILPs in Singapore lost money.

Some experts, however, say that, as the global and regional markets are nearing their bottom, it may be a good time to buy ILPs. For the long term – five to 10 years – the upside is excellent, they say.

Some industry watchers say financial institutions and financial planners can help by providing the industry's "best practice" to educate the consumers. One example is to provide historical "high" and "low" data of the fund portfolio or asset mix.

Financial planner Leong Sze Hian painted this scenario, "Before you jump into the swimming pool, you want to know how deep that end of the pool is. When people invest, the financial institutions don't tell them how deep the investment can fall. In a technology fund, for example, the investors can be told the worst they can lose is 80 per cent of their money."

In the US, such basic "best practice" approach is common. "It takes consumer education so that consumers become more discerning. This, in turn, will put pressure on financial institutions and financial planners to move towards the best practice in the best interest of the consumers. In the short term, it means financial institutions will need to spend more money to train the people and the sales process may get longer, but in the long run, it will be a win-win situation," said Mr Leong.

There are some pointers to consider before taking the plunge into ILPs. In an ILP, when you decide to switch funds – underlying assets classified under bond, equity, balance, sector, country, global or regional – you can make one free switch a year.

An additional switch will cost you $25 regardless of the amount that you switch into.

In a unit trust, however, the investor will have to pay more – one per cent of the value of the assets.

For example, if you have $100,000 worth of investments in a unit trust, every time you make a switch in funds, you pay $1,000 (one per cent of $100,000).

• DISADVANTAGE: The disadvantage in ILPs, such as regular premium (RP) policies, is that the total expense ratio is higher than that of unit trusts, which have no insurance component.

The total expense ratio, which ranges from two to five per cent, is the amount that is eaten up by expenses such as annual management, custodian and other fees.

In RP policies, the high total expense ratio is due to the fact that policyholders can add in additional insurance coverage for critical illness, personal accident, death and permanent disability. So the net returns in RP policies can be low, experts say.

• PENALTY: Some RP policies have a penalty should the policyholder stop payments on the premium – such as when he or she loses his or her job. Other RP policies may not have any penalty but the policyholder may have to wait up to seven years to get his or her money back, Mr Leong said.

So the potential buyer has to evaluate which investment vehicle or combination to use, taking into account, switching costs and expense ratio. He or she may not have the expertise to do that.

• THE BOTTOM LINE: Have a financial planner who can provide financial management advice to the client for the rest of his or her life. "Now you buy a financial product and do not see his face for the 'next 40 years'," Mr Leong said.

• THE RIGHT APPROACH: The rational approach may be this: Buy a single-premium ILP and buy separate insurance needs.

Financial planners say a single-premium policy is popular because, as its name suggests, it means making a one-time payment. Also, its total expense ratio is lower, meaning the investor can expect higher returns.

Brought to you by DBSBank

Today, Weekend, 19~20 April 2003

Article by Lee Yew Meng

How you can retire comfortably

Financial goal and risk profiling are important

How much do you want to have in your retirement years? Is $1,000 or $1,500 a month enough for you to enjoy a comfortable life when you retire?

And how do you realise this goal?

Based on an assumed inflation rate of two per cent an average over 30 years of retirement – from age 55 to 85 - you will need a capital sum of $487,000 if you wish to spend $1,000 a month.

And if you wish for $1,500 per month, the amount required will be $730,000, says Mr Eddie Khoo, managing director and head (Distribution) of Consumer Banking, DBS Bank.

The capital amount will be reduced if it can be placed into a portfolio to generate investment returns.

Assuming an average investment return of five per cent, the amount required will be reduced to about $244,000 and $366,000 respectively. The amounts look realistic enough. But what should the average working Singaporean do to achieve this goal?

As every individual has his or her own financial goal and concerns, the "one size fits all: approach is not recommended when it comes to planning for one's financial future.

There are many ways of arriving at a recommended portfolio mix for an individual investor, say financial planners.

"One common approach is through a risk profiling exercise whereby individuals with the same risk profile are proposed the same mix. Some of the common enhancements introduced to this basic approach take into account the individual's investment time horizon, current life stage, personal financial circumstances and financial objective," said Mr Khoo. With this, there will be more varied portfolio mix recommendations for different individuals, he said. The risk appetite for two persons of the same cage can be very different.

So, to financial planner Leong Sze Hian, the risk profiling and financial goal of an individual is important to draw up a financial plan for him.

He draws an analogy on risk profiling.

“If the client has taken chilli, he knows whether he can take a little or lots of it. But when you ask him what he knows about risk investment, he cannot answer as he has not experienced it,” Mr Leong said.

So to make his clients, understand, he generates historical “high and low” data based on different bond-equity mixes such as 80-20, 60-40, 50-50 or 30-70.

The historical data can show the client what are the best and worst returns scenario for one, five, 10, 15 or 20 year investment horizons. Although historical performance may not be indicative of future performance, the data can help put things in perspective.

“The clients can then make a discerning decision,” he said.

Before you make your investment decisions, make sure that you have set aside an emergency fund. This is a fund that you can tap on should you need emergency cash – for example, an unexpected job retrenchment, car/house repairs or hospital bills not covered by insurance3. The availability of this fund will pre-empt the costly liquidation of your investments at short notice as asset prices tend to be volatile in the short term.

Your financial planner will advise you on the size of the emergency fund needed, which varies depending on family financial circumstances, liabilities, stability of income and other factors.

As a rough guide, one should set aside an amount equivalent to six months of living expenses. This emergency fund should be kept in highly liquid assets such as savings/fixed deposits or in a money market fund.

Credit cards and overdrafts are not recommended as a substitute for such a fund as the high interest rate and the lack of a scheduled repayment scheme often result in the loan snowballing over time if one is not disciplined in managing one’s debts.

It is accepted that a young single person or a young married couple, both working, can afford to invest in more “risky” instruments like stocks, hedge funds, and even derivatives. The rationale is that as they are young, they have more time to recover if anything untoward happens.

Also, as their income grows over the years, they should diversify carefully and look at other aspects of their life and lifestyle that they wish to focus on.

So what if despite the best of plans, the married couples, hitting retirement, find that they do not have enough savings to enjoy the 30 years of their retirement? Here’s one solution: They should be prepared to downgrade and accept the lifestyle change that comes with this move.

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Today, Weekend, 29~30 March 2003

Letter by Leong Sze Hian

Many may have to cancel packages

I refer to the closure of schools until April 6 in an effort to contain the spread of Severe Acute Respiratory Syndrome (Sars).

The authorities plan to make up for lost curriculum time by extending the school term into the June holidays.

I believe thousands of Singaporeans booked travel packages for the June holidays at last weekend's National Association of Travel Agents (Natas) fair because most of the special offers were valid only during the three-day fair or a week or so after the fair.

The media has reported that many Singaporeans may incur cancellation and date change charges and penalties because of the extended school term into June.

Will the airlines waive these cancellation charges as many people may be affected through no fault of their own?

I would like to ask whether the cancellation cover in travel insurance policies includes the above cases and whether affected policyholders will be reimbursed for the charges that they may have to pay.

Perhaps, Singaporeans will learn that being pressed into deciding on a cheaper travel deal over only three days, three months in advance, has its risk and uncertainty too.

Today, Tuesday, 6 May 2003

Letter by Leong Sze Hian

Carnival beats gloom

Kudos to coffee shop hit by Sars scare

On May 1, I chanced upon the reopening of the S11 coffee shop in Serangoon Central. It had been closed for 10 days as a preventive measure against the spread of Severe Acute Respiratory Syndrome (Sars).

On offer were free eggs, bread and drinks from 8am to 8am the following day.

There were also free helpings from the chap chye rice stall. As the queue there was long, I decided to go for the special offers at the other stalls, like $1.50 for ban mian (noodles that normally cost $2.50), $1 off per plate of Indian food and one-for-one beer offers.

The carnical-like atmosphere was quite a spectacle, with loudspeakers blaring "free chap chye rice, free hot and cold drinks, free temperature taking".

Staffs in yellow and red T-shirts with the message, "Let's Fight Sars", were cleaning tables, while staffs in purple and yellow T-shirts were handing out free drinks. Uniformed staff wearing face masks took temperatures.

The atmosphere was such that it was irresistible for one not to buy something home. The coffee shop and its adjacent areas, where more tables and chairs were placed, were packed.

I am impressed, convinced and appreciative of the efforts of the S11 coffee shop to win the hearts of its customers and plan to patronise it regularly.

Perhaps "Sales Are Really Soaring" for those – like the owners, stallholders and staff of S11 – who pool their resources and, together with creativity and innovation, turns the adversity created by Sars into a promotional gala event.

Well done, S11! You have set a fine example in Singapore's battle against Sars.

Today, Friday, 13 May 2003

$1 million top prize in anti-Sars lottery

Tickets for a draw aimed at raising funds to fight Sars and help those affected by the disease, will go on sale from next Monday.

A total of 2.5 million tickets for the Free Singapore from Sars draw will be priced at $3 each.

The grand prize is $1 million.

A scratch and win card, with a top prize of $50,000, will also accompany each ticket.

The organiser, Singapore Pools, estimates net proceeds at about $2 million. This will be used for projects not covered by the Courage Fund.

Ms Annie Tan, Singapore Pools' corporate communications director, said the proceeds will be used for items such as thermal scanners, which will help to facilitate events with mass participation.

She added that Singapore Pools yesterday gave 20,000 Sars battle kits comprising thermometers, alcohol swabs and masks to taxi drivers.

Today, Friday, 16 May 2003

Letter by Leong Sze Hian

Waive that $2m tax on Sars lottery

I refer to reports about the special lottery to help raise $2 million to battle Sars (TODAY, May 13).

The organiser, Singapore Pools, expects about $7.5 million worth of tickets to be sold, of which $3 million will be used for prizes, $2 million for taxes and $500,000 as sales rebates to 26 organisations for helping to sell the tickets.

What this means is that only 27 per cent (or $2 million) of the $7.5 million is available to fund Sars-related community causes.

As I understand that almost every individual and organisation in Singapore is chipping in to battle Sars and raise funds. I would like to suggest that the $2 million for taxes for this donation draw be reduced or waived.

Perhaps, more Singaporeans will buy the Sars lottery tickets if there are no taxes.

Today, Weekend, 21~22 June 2003

Article by Lee Yew Meng

Unit trusts: Think long term

Investors in unit trusts should not adapt the IPO approach to build their nest eggs.

In an IPO or initial public offering, stag subscribers to the new shares with the hope of making a quick kill.

It is a case of greed overriding rationale and this is not acceptable when investing in a unit trust.

A lot of disillusionment comes about because people equate unit trusts with stocks. Stocks are more for tactical or short-term trading.

And if you are buying unit trusts that way, you are buying for the wrong reasons. The fees involved in unit trusts are higher because the money is paid to fund managers to optimise the fund's returns.

Because of the fee structure, unit trust funds have to be looked upon as longer-term investments of three years or more.

Investors become unhappy because they treat unit trusts like stocks, wanting to make money within a few months.

What is happening here is that unit trust investors would buy into a new fund when it is launched with a discount or a promotional offer of a shopping voucher or a gift such as a vacuum cleaner or a juice mixer?

As one industry-watcher puts it: “They can invest $10,000 in a new fund to get a $50 product” – case of what he calls, penny wise, pound foolish.

He said this approach of dangling a carrot for “the favour of the month” products appears to be bearing fruit for some distributors.

Greed also prompts some investors to put their hard-earned retirement savings into a fund with a promise of high returns.

High returns are often associated with high risks. There is no such thing as big gains with no risks. Do not blame the sales staff of the fund distributor if your investment turns sour.

“The sales staffs just tell me the upside potential, not the pitfalls” is a common complaint of investors who lost money on a recommendation.

You have to ask the tough questions. If the sales staff cannot convince you, it may be better not to get involved in the fund.

Symptoms of what is not right with some funds are already surfacing – they have decided to close down. If you invested in these funds, you would likely have lost a significant portion of your investment.

So, tell the bank’s sales staff you are not interested in this or that fund, but would prefer to talk to a qualified financial planner. The financial planner will take a holistic approach by getting to know your financial profile better.

Which fund is better for you – with insurance coverage or higher risk and concomitant returns – can be worked into your investment portfolio mix.

The financial review has to be undertaken regularly, perhaps on an annual basis. And the financial planner can be your friend for life.

Unlike a doctor or lawyer in private practice, the bank’s financial planner does not charge a fee. He earns his money through providing value-added advice on the investment portfolio mix.

For the individual investor, he or she must continue to monitor industry trends. For example, it is important to check the fund's size, which the fund managers are, what track record they have and whether they have solid research to back up their investments? To start with, investors can check with ratings agencies such as William Mercers through the websites.

Financial planner Leong Sze Hian said that about 40 per cent of global asset management firms are losing money or barely breaking even.

"Investment funds tend to close when their performance is poor or due to a lack of profitability, by returning the net asset value to investors," he said.

Mr Leong drew this analogy: "The investment funds that we see, and their historical performances, are like a beauty contest whereby we are only seeing the finalists, without the benefits of having seen the contestants that were eliminated along the way."

Brought to you by DBSBank

Today, Monday, 1 December 2003

Letter by Leong Sze Hian

Clear debt record earlier

I refer to media reports about the change in the law regarding criminal records. A person's criminal record will now be expunged when one reaches 100 years old.

In contrast, a "writ of summons" record for debt, which is a much less serious matter than a criminal record, is displayed indefinitely, beyond 100 years, in the database of the Consumer Credit Bureau (CCB), according to the CCB's website.

I understand that in the United States, after 10 years, even bankruptcy records are expunged from their CCB.

With the call for more Singaporeans to become entrepreneurs, I suggest that we lessen their burden and stigma by expunging their "writ of summons" for debt after a certain number of years.

Having negative information in one's credit report can affect one's ability to obtain credit. This, in turn, has an impact on the person's employability, type of entrepreneurial activity, etc.

Indeed, having a "writ of summons" for debt appears to be worse than a criminal record, as it will be with us even if we live beyond 100 years.

Today, Tuesday, 16 December 2003

Letter by Leong Sze Hian

Investing in bonds also risky

I refer to your report, "Bonds in your portfolio" (Weekend TODAY, Dec 6~7).

Bonds have often been described in media reports as safe investments which give higher returns than bank deposits.

According to the book, The Davis Discipline: Fifty Years of Successful Investing on Wall Street by John Rothchild, a 34-year bear market in bonds lasted from 1946 to 1981, and, as yields rose, bond prices fell and bond investors lost money.

The same US government bond that sold for US$101 ($173) in 1946 was worth only US$17 in 1981! After three decades, loyal bondholders who had held their bonds lost 83 cents on every dollar invested, according to the book.

After the three-year bear market in global equities from 2000 to this year, and the corresponding bull market in bonds during that time, investors have the impression that bonds are "safe investments".

As analogy, before we jump into a swimming pool, we want to know the depth. Along the same lines, before investing in an asset class, we may want to look at what has happened historically.

While bonds may be less risky than equities, they are still risky.

Today, Wednesday, 17 December 2003

Letter by Narayana Narayana

Truth about bonds

The price may fluctuate but the return till redemption is unaffected

Like Mr Leong Sze Hian, I read Mr Lee Yew Meng's article "Bonds in your portfolio" (Weekend TODAY, Dec 6~7).

But unlike Mr Leong, I refrained from comment because of Mr Lee's caveat: "One rule of thumb is to hold the bonds until maturity".

Mr Lee, in fact, seemed to be recommending Income Funds, which are presumably Unit Trusts. That in itself should be sufficient to distinguish them from bonds, which generally have a fixed date of redemption.

It is unfortunate that Mr Leong seems to have overlooked this important factor and gone on to make somewhat uncharacteristic comments on bonds in general.

Given then that bonds are redeemable at some determined future date, the investment merits are usually calculated, and built-in, on the rate of return till that date.

The calculation is simple enough. A five-year bond offering 5 per cent at par yields 5 per cent per annum to the investor at any and every point of time.

If it is available at a discount, at say, 95, there will be an additional five per cent premium on redemption, making the effective (simple) yield six per cent.

Although the price of bonds may fluctuate, the return till redemption is unaffected. The only "risk" factor involved is the credibility of the bond issuer to redeem on redemption.

Mr Leong relies for support on a book by John Rothchild, who concentrates on a particularly inflationary period during which interest rates rose globally from three per cent to 17 per cent. They have now receded to the former level.

At interest rates and bonds usually tend to be in inverse proportion, it is logical that "the same US government bond that sold for US$101 in 1946 was worth only $17 in 1981".

It is therefore faulty to conclude that "after three decades, loyal bondholders who had held their bonds lost 83 cents on every dollar invested".

If during this period of 34 years, the US government had in fact redeemed its bond at a particularly steep discount, it would have been totally discredited as a credible borrower in international financial circles.

And had the "stonewall" investor held on for another succeeding couple of decades till today (and even better still, put all his money into those same bonds "to average" when they were selling at $17), he would be sitting pretty with his original bonds back at his cost price and a very healthy 500 per cent increase on the last purchase.

Mr Leong's advice to "take a look at what has happened historically" before investing in an asset class is exactly what chartists and analysts are presently doing, without apparently any greater success.

In the final analysis, the assessment of risk to reward, and return on investment, still remains one of highly individual choice. Safety and risk are not factors that are inherently set out, but constantly changing with circumstances.

TODAY, Friday, 6 February 2004

Article by Joy Frances

Underwater World urged again to free pink dolphins

Watchdog says four of six sea mammals not captive-born

In its third press conference on the subject since last September, a local animal watchdog group again urged Underwater World Singapore (UWS) to set its pink dolphins free. This time, the Animal Concerns Research and Education Society (Acres) said the Haw Par Corporation-owned UWS knew at least four of the six dolphins it bought from Thailand's Oasis Sea World (OSW) were not captive-born.

Yesterday, Acres president, Mr Louis Ng, said the despite UWS' claims that all its dolphins were captive-bred, evidence said otherwise. Two of its dolphins, Jumbo and Pet, are 30 years and 27 years old, respectively. OSW only began operations in 1988 – 16 years ago – and it and the UWS are the only known sea centres to have pink dolphins.

Haw Par's management refused to comment yesterday. It had not acceded to similar demands in the past, maintaining that the dolphins – which are handled by the public and perform tricks – were used for educational purposed and were well taken care of.

Mr Ng further alleged the UWS had failed to identify the source of the Indo-Pacific humpbacked dolphins in its import application form to the Agri-Food and Veterinary Authority (AVA) of Singapore, but had told AVA the dolphins were not all captive-bred.

But Ms Lye Fong Keng, head of AVA's Wildlife Regulatory Branch, said: "UWS stated that a number of the dolphins it intended to acquire were bred in captivity within Oasis Sea World and all the dolphins had been held within OSW for at least three years.

"Based on this letter and the application form, the officer processing the permit made a clerical mistake by stating all six dolphins were captive-bred."

She said the AVA and their Thai counterparts would be "making corrections" to their permit and annual report records".

But Mr Ng wanted more.

He cited a study done on wild pink dolphins in Thailand by a body of scientists, the World Conservation Union, stating that the demand for live specimens had led to a decline in visible numbers.

They have petitioned the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Cites) – that lists the dolphins in Appendix 1 among the most endangered species – to consider any trade detrimental to the species, and thus contrary to recommendations under Cites, of which Singapore and Thailand are signatories.

TODAY, Monday, 9 February 2004

Letter by Leong Sze Hian

Pink dolphins: Singapore's reputation is at stake

I refer to the article, "Underwater World urged again to free pink dolphins: Watchdog says four of six sea mammals not captive-born", by Joy Frances (TODAY, Feb 6).

I find the logic of the Agri-Food & Veterinary Authority's (AVA) stand to be somewhat puzzling.

If an illegal act had been committed, it should not be condoned with the status quo allowed to continue by saying that the party implicated is legally authorised (to have the dolphin) for educational and breeding purposes, or that the mistake was due to a clerical error.

The reputation of Singapore, with respect to the protection and conservation of endangered species, is at stake.

Perhaps, the real issue is not why or how it happened, but what Singapore does to resolve it in the eyes of the international community.

TODAY, Tuesday, 10 February 2004

Letter by Louis Ng

President, Acres

Confiscate UWS's pink dolphins

Step is necessary to preserve species: Acres

I refer to the letter, "Pink dolphins: Singapore's reputation is at stake" (TODAY, Feb 9).

Indeed, this issue now is what Singapore does to resolve the issue.

As a signatory to the Convention on the International Trade in Endangered Species of Wild Fauna and Flora (Cites), Singapore is obliged to ensure the protection of pink dolphins.

The species is so critically threatened with extinction that it is listed under Appendix I of Cites' most endangered species.

Article III of the Cites convention states clearly that the export of Appendix I species "cannot be detrimental to the survival of that species".

If Underwater World Singapore's (UWS) pink dolphins were captive-bred, then their trade would not have a detrimental effect on the species and could be allowed.

However, it has now been established that at least four of the dolphins were caught in the wild.

Furthermore, they were caught in Thailand, where the World Convention Union has reported that fishermen catch live specimens of pink dolphins because of demand from marine parks.

The organisation has also reported that the dolphins are no longer found in large parts of their former home range.

There is no doubt that allowing dolphins that have been caught in the wild to be imported from Thailand has a detrimental effect on this species.

It is not a question of whether these dolphins are for educational or breeding purposes.

The Animal Concerns Research and Education Society (Acres) recommend that the dolphins in question be confiscated from UWS.

We make this recommendation following the recent Taiping Four case, in which four gorillas were exported from Ibadan Zoo in Nigeria to Malaysia's Taiping Zoo.

The gorillas, which are also listed in Appendix I, were caught in the wild but were similarly recorded as captive-bred on permits.

These gorillas were also for educational and conservation purposes.

However, Malaysia has since confiscated all four gorillas, in accordance with Cites' recommendations.

TODAY, Thursday, 12 February 2004

Reply by Goh Shih Yong

Corporate Communications Manager

For Chief Executive Officer, Agri-Food & Veterinary Authority

Dolphins won't be confiscated

Acquisition did not break rules: AVA

I refer to Mr Leong Sze Hian's Letter, "Pink dolphins: Singapore's reputation is at stake" (TODAY, Feb 9) and Mr Louis Ng's letter, "Confiscate UWS's pink dolphins" (TODAY, Feb 10).

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (Cites) allow wild- caught specimens of Appendix I species – such as the pink dolphins – to be imported and exported and kept in a zoological facility for captive breeding and educational purposes.

This is subject to the approval of the authorities of both the importing and exporting countries. The importing country authority will assess whether there are suitably equipped facilities to house and care for the animals.

The exporting country authority will assess if such exports are detrimental to the survival of the species.

When the UWS applied for a permit from the Agri-Food and Veterinary Authority (AVA) to import six pink dolphins from Thailand, it did not claim all the dolphins were captive-bred.

In assessing the application, the AVA was informed that the UWS intended to bring in a mix of wild-caught and captive-bred dolphins for captive breeding and educational purposes.

As the UWS (a zoological facility) was assessed to be suitably equipped to house and care for the dolphins, the AVA gave it approval to import and keep the dolphins for captive-breeding educational purposes.

The Thai authorities had also approved the export of these six pink dolphins to UWS.

As the UWS had obtained all the necessary approvals from the AVA and the Thai authorities to acquire the dolphins in accordance with Cites requirements, the AVA will not confiscate the dolphins.

TODAY, Weekend, 28~29 February 2004

Letter by Teo Seh Yian, Tammie

Neither rich nor poor, but feeling the pain

Plight of S'poreans who don't qualify for subsidies

I refer to the letter, "The rich are also cost-conscious" (TODAY, Feb 27) by Mr Michael Loh Yik Ming.

The writer argues that it is within the rights of the rich to choose to get treated in subsidised beds in public hospitals.

I have a different interpretation of the issues.

I think that people, especially the rich, expect and demand better services and facilities in government hospitals.

It is only when the economy is not doing well that everyone thinks of fighting for incentives and subsidies.

When times are good, will the rich still want to squeeze into C class beds with no air-conditioning, especially with the weather being so hot?

I belong to the group of people who are neither rich nor poor.

I am not eligible for many subsidies and yet I cannot afford to live like the rich.

When the Government talks about next year's budgets and subsidies, more often than not, it won't be of much benefit to me, except for the payouts everyone gets.

What can I say?

I only wish the Government would also take into consideration the plight of people in my position.

We earn just enough to make ends meet and don't qualify for any subsidies.

Not being rich, we feel the pain of any additional strain on our finances, like extra expenses for our children, increases in GST, public transport costs, etc.

For the past few years, I did not have any increase in my basic salary, so how am I to cope with these price increases?

TODAY, Wednesday, 12 May 2004

Article by Val Chua

High-stakes battle for UOL awaits next move

Temasek's offer lapses but it 'remains interest'

The deadline passed. No move was made. And a market still waits with bated breath for the next play in the high-stakes chess game between United Overseas Bank (UOB) and Temasek Holdings.

As of 5pm yesterday, it was official that UOB, led by chairman and chief executive Wee Cho Yaw, had not accepted Temasek's $710-million offer to buy UOB's 49-per-cent stake in United Overseas Land (UOL).

But that move was already widely expected, after UOB hinted late on Monday that it would reject the offer, following Temasek's refusal to grant a one-month extension for its $2.06 share offer.

What is still uncertain, however, is what Temasek or UOB, which had made an initial preferential offer of $1.58 per share, will do next.

Singapore investment holding company Temasek kept the doors open for a possible revision of its bid. Said spokeswoman Eva Ho: "We remain interested if they decide to sell."

And that is a big if, according to market watchers.

Yesterday, the bank issued a statement to the Singapore Exchange that it would continue to "explore all options".

UOL, whose shares plunged more than 4 per cent to $2.11 yesterday, still needs to be divested.

"The question is when and how," said Mr Tay Chin Seng, an analyst at ING Financial Markets to Dow Jones Newswires.

With the 2006 deadline looming, analysts said one option would be for UOB to distribute shares of UOL to its shareholders, known as a "distribution-in-specie".

The bank employed this method when it divested conglomerate Haw Par Corp in 2002.

"They did it with Haw Par without too much protest. So, why not with UOL?" said a market observer.

The scheme allowed each UOB shareholder to receive Haw Par shares without paying for them, while providing a quick way for the bank to divest its 31-per-cent stake.

Haw Par - which owns 4 per cent of UOB – also ended up as a key vehicle for the Wee family to tighten their grip on the bank. UOL, also holds a 4-per-cent stake in UOB.

Another scenario may see Mr Wee – who left for Bangkok yesterday to seal the bank's purchase of Thailand's Bank of Asia – make another bid for UOL, either privately through Wee Investments, or together with friendly partners.

However, this is likely to put a strain of as much as $1.5 billion on Mr Wee's resources and leave him vulnerable to attacks by corporate raiders on other UOB-related companies, such as UIC (United Industrial Corporation) and OUE (Overseas Union Enterprise).

And what about Temasek?

While UOB had said it might reconsider Temasek's bid if the latter increased its offer, analysts were sceptical the investment company would sweeten the deal without a competing bid on the table.

"I think Temasek's assessment of $2.06 is probably not reflective of their fair value of UOL. If there's another offer, say at %2.07, and it's within Temasek's window of comfort, I don't see why it wouldn't make another bid," said an analyst.

What's more pressing for minority shareholders is to see concrete action from UOB. Shareholders would be "very upset" that UOB has not let them crystallise the value of UOL at a premium to the original offer of $1.58 a share, said a market watcher.

"If after a month, there's still no better option, shareholders may hold the bank accountable for letting this offer lapse."

TODAY, Friday, 14 May 2004

Letter by Leong Sze Hian

Small investors will suffer

Absence of level playing field keeps them away from direct investment

I refer to the article, "Battle for UOL, awaits next move" (TODAY, May 12).

United Overseas Land (UOL), a highly undervalued stock closed 4 per cent, or nine cents, lower at $2.11. The earlier proposal by United Overseas Bank (UOB) to sell UOL shares via a preferential offering was at just $1.58 per share.

While the media has focused on the tussle between UOB and Singapore's investment holding company Temasek, I would like to shift the attention to whether the playing field is level for all investors, particularly the small retail investor.

I understand that large purchase offers in stock markets in developed countries such as the United States are typically at higher than fair market prices. In contrast, I often see offers in Singapore at below what is generally perceived as fair market prices. Why is this so?

Should not the ability and advantage to take control, or retain control of a company be at a premium price, instead of a discount?

To illustrate the principle of "a level playing field", in the recent Mutual Funds scandal in the US, hundreds of millions of fines were levied and various parties were taken to task for various reasons.

One of these was for violating the general principle that large players should not be able to buy at lower prices that are precluded from – and thus to the disadvantage of – the ordinary investor.

Is there not a parallel or similarity here, where large players can buy at below fair-market prices?

To illustrate this principle further, in the case of initial public offerings, I understand that when the market is hot, more shares are made by private institutional placements and less available to the retail investor, thus often pushing up prices.

In a bear market, relatively less is made in private placements and more available to the investing public.

While the UOL tussle has taken a breather with no winner yet, the retail investor has in a way lost out because the price of a highly undervalued stock is still probably below its fair market value.

Investors may be deterred from investing in the stock market if they perceive a non-level playing field. This may then hinder the development of the stock market in Singapore.

This is underscored by the fact that, according to the CPF Board, the asset class or investment instrument that has basis since the CPF Investment Scheme started 10 years ago was direct investing in stocks.

Perhaps more Singaporeans may invest in the stock market if we see fewer corporate tussles at below fair-market prices.

TODAY, Friday, 4 June 2004

Dow Jones

Temasek Holdings calls for clearer competition law

Singapore's investment holding company Temasek Holdings yesterday called on the Government to fine-tune its proposed competition law to avoid creating uncertainty for businesses.

Temasek said in a statement that the proposed bill "as presently worded" was general and would leave much to the discretion of the Competition Commission in deciding what was prohibited under the new law.

"This creates for businesses unlimited uncertainty as to whether their business dealings would be classified or prohibited under the Act," Temasek said in response to the Government's call for public feedback on the draft bill.

“This should not be the case,” Temasek said.

The Ministry of Trade and Industry proposed the introduction of the competition law earlier this year, aimed at stopping companies from engaging in anti-competitive behaviour and “undoing the benefits of efficient and innovative markets”.

But Temasek said: “Apart from prohibiting anti-competitive agreements and the abuse of dominant positions, the law should be drafted as clearly and as limited in scope as possible, so as not to introduce another layer of administrative and market costs”.

In its statement, Temasek also suggested the Government focus the competition bill only on sectors where natural monopolies exist and where businesses can have a large impact on the efficiency or competitiveness of the sector.

“The scope of the competition regulation can subsequently be expanded to include other sectors,” Temasek said.

It did not elaborate on what these sectors were.

Temasek holds major stakes in many of Singapore’s biggest companies, including DBS Group, Singapore Airlines, Singapore Telecommunications and port operator PSA Corp.

Temasek’s listed assets are worth about $91 billion.

TODAY, Tuesday, 8 June 2004

Letter by Leong Sze Hian

Competitive law should not have selective application

I refer to the report, “Temasek Holdings calls for clearer competition law” (TODAY, June 4).

Temasek has said the law “should focus on sectors such as telecommunications, media and energy, where there are natural monopolies and businesses have a large impact on the market … “.

The large volume of advertising by telecom companies and the rapid fall in prices recently are clear indications that the sector is already very competitive.

There is also keen competition in the media sector. The energy sector too has a fair system in place to adjust tariffs with the rise and fall of power production costs.

These sectors do not seem to need more attention from the new law.

Temasek has also said the law “should not target sectors … completely open to competition, like retail, manufacturing, property, transport and legal services”.

This is illogical. If these sectors are "open to competition", why should there be concern about needing to exclude them from the law?

If we exclude all the above mentioned sectors, how much of the economy will be left to be subject to the competition law?

We should be concerned about a law that has a selective application, giving an advantage to large players or the incumbent.

Perhaps, the fact that the largest conglomerate in Singapore has responded with these concerns is the best indication of the need for the wide application of vigorous competition laws.

TODAY, Thursday, 10 June 2004

Reply by Rachel Lin (Ms)

Associate director, corporate communications, Temasek Holdings Pte Ltd

Fair competition the aim of policy

Temasek recommends Govt focus on natural monopolies at this stage

We refer to Mr Leong Sze Hian letter, "Competitive law should not have selective application" (TODAY, June 8).

We wish to reiterate that ultimately, competition policy must exist to protect and promote the competitiveness of the economy and ensure fair competition.

In our feedback to the Ministry of Trade and Industry, we have said that the Government's focus should be on certain critical sectors or classes of businesses where there are natural monopolies and where the businesses can have a large impact on the efficient or competitive functioning of the market.

These sectors include the telecommunications, media and energy sectors.

Our statement should not be taken out of context. It recommends the priority of the Government's attention at this stage and does not preclude the application of the policy to the rest of the sectors.

In our submission, we have said that after a tried –and-tested framework has evolved, the scope of the competition regulation can be expanded to include other sectors.

In our view, this is a better and more effective way to implement the law, as a premature execution of a poorly formed framework would only serve to impose unnecessary costs on the market.

Moreover, the sectors which the Government should place a higher priority on are those which are still relatively tightly regulated and with fewer players.

Hence, competition related policies would have a greater impact on competitiveness than in the other sectors where there are already many players and where market-based competition already exists.

Temasek's view is predicated on a wish to see a more competitive marketplace which is not encumbered by higher costs arising from the introduction of new legislation.

TODAY, Weekend, 12~13 June 2004

Article by KS Chow

The article was contributed by a reader.

Entrepreneurs: Old kamikaze type vs new scholar ones

As a 66-year-old small-and-medium enterprise (SME) businessman, I've seen quite a few of the ups and downs of entrepreneurs during the 1950s and 1960s.

These were the natural entrepreneurs. Nothing like the scholar-entrepreneurs we talk about today, whose psyche is totally different.

The entrepreneurs of the 1950s and 1960s were not ashamed of failure and they were also not afraid of death, financial or otherwise.

They were the kamikaze type. They were the Ah Sohs, the Ah Peks, the Ah Kows, the Ah Ters. When they failed in business, nobody knew who they were – they were just another statistic. They could start over again and again without being noticed.

Not scholars these days. They are called Jonathan, Wilson, Alfred. They are members of expensive clubs such as SICC or Tanglin. The moment they fail, that's the end of the road. They are too ashamed to meet their old classmates and club mates. The whole town knows who they are – society gives them no second chance.

While they used to ride in a BMW or Mercedes, post-failure, they have to travel by another type of BMW (Bus, MRT, Walk), or at most, a second-hand Suzuki van. This prospect is too daunting for these scholars.

Let me give you two real-life scenarios.

When these scholars-entrepreneurs fail and I invite them to lunch, they suggest going to a Chinatown food court. I say, "I'm buying you lunch, let's go to an air-conditioned place." But they say they will be less likely to bump into old classmates or club members in a food court.

However, when Ah Kow fails, I invite him to lunch upon which he insists on going to a posh place. And when lunch is over, he rushes to pay.

See the difference?

Now the talk is about turning Government scholars into private-sector entrepreneur. In my view, the most important thing will be to re-educate the bankers before you get these scholars into the business circuit.

Bankers must not have cold feet too easily. The slightest cough or sneeze and they call back the facilities. This is the lethal weapon that will kill the entrepreneur.

I'm an old man. I have been in at least five failed businesses and I'm still in the business of doing well, anything that makes money. I had the stamina to carry on because I had no choice – I had to make a living.

But today's young scholar entrepreneur? The risk is too high: Imagine being bankrupt at the age of 40, with the children still in school, the housing loan not fully repaid, etc. It's not much of a life.

TODAY, Friday, 18 June 2004

Reply by Sim Kah Choon

Mr Sim, 49, owns his sofa workshop.

Today, his group, Abitex Designs, has an annual turnover of $8 million.

He heads a team of 40 employees and has a showroom at Paragon Shopping Centre.

That entrepreneurial flame

Passion is like a 'fire in the belly' that overcomes stress and burnout

KS Chow's poignant letter, "Entrepreneurs: "Old kamikaze type vs. new scholar ones" (Weekend TODAY, June 12) struck a chord in me.

I do not think you can plan the career of an entrepreneur as you can plan that of a scholar in the public service, or the private sector. You either have it, or you don't.

In 1985, when I started my business, as a one-man show, I was following my heart, despite have a cushy job.

Betting on my future with my life's savings of $10,000, I decided against my soon-to-be-ready five-room HDB flat and, instead, opted for a cheaper four-room HDB unit that could be paid fully with my CPF savings. My rationale was that at the very least, I was assured of a shelter to go home to should everything else fail.

The year in which I started my business was one of the worst that Singapore's economy had experienced and companies were falling like nine-pins.

Sometimes, when I reflect on those days, I think I must have been out of my mind.

So, what made me tread the treacherous path of business?

•It's that irresistible urge to call the shots come what may. I had been dreaming about running my own business since I was a teenager. I had idolised successful businessmen.

•It's the willingness to give up everything. And I mean everything – including sleep. I never fail to be amazed by people who get into business and before long, buy that spanking new car and entertain at karaoke lounges.

•It's the ability to eat humble pie – to get down from your ivory tower and the warm cocoon of a job to the harsh and cold reality of the business world where customers don't care two hoots whether you are a top or lousy scholar. Where emotional intelligence is better than your intelligence quotient. Roll up your sleeves, tie your shoelaces and deliver the goods.

•It's about knowing that your next pay cheque will come from your own pocket.

•It's about "passion". I call it "fire in the belly". You will know when you have it – when you do not get tired working 18-hour days, seven days a week, when taking a holiday is a waste of time and when you can't wait to get back to work every day.

Stress and burnout? Never heard of them. You are the happiest when working. Time passes so fast before the day is over. The "9-to-5" concept is obscene.

I am amazed by people who say that they go into business to have more control of their time! The reality is that time belongs solely to your customers.

Cut that umbilical cord!

Welcome to the world of entrepreneurship.

TODAY, Weekend, 19~20 June 2004

Letter by Leong Sze Hian

Civil service needs entrepreneurs

Why not offer scholarships to entrepreneurs?

I refer to the comment, "That entrepreneurial flame" (June 18), in response to KS Chow's letter, "Entrepreneurs: Old kamikaze type vs. new scholar ones" (June 12).

The civil service has halved the number of top-notch scholarship it gives out each year to ensure that it does not skim off all the cream of our top young minds.

This is something puzzling.

Would it not be better to keep the same number of scholarships, but offer half of them to students with less emphasis on academic achievement in the selection criteria and more on excellence in, say, entrepreneurship or volunteerism?

I understand that in institutions such as Harvard University, it is not uncommon to see students admitted primarily for their track record as community activists, business venture failures, etc.

Senior Minister Lee Kuan Yew has suggested that the civil service release half of its scholars to become entrepreneurs. Why not offer some of the scholarships to entrepreneurs instead?

What the civil service needs is not less of the "cream", but more scholars who have been entrepreneurs.

This may lead to policy-making at the top to be more in tune with the needs of businesses and entrepreneurship.

The Public Service Commission spokesman said the number of top scholarships awarded was halved to 50 or 60 a year so that it could focus on grooming a smaller group for leadership positions.

This may promote elitism and actually make matters worse when what we need is more diversity in the civil service.

About 2 to 3 per cent of the civil service is made up of scholars. It would be interesting to find out what percentage of the 60,000 civil servants have had entrepreneurial experience.

Perhaps, the best way to encourage entrepreneurship is to encourage entrepreneurs to become scholars and contribute their experience back to the nation, through the civil service.

TODAY, Thursday, 12 August 2004

Letter by Leong Sze Hian

MAS should disclose rate of return on investments

I refer to reports about the Monetary Authority of Singapore's (MAS) profit of $5 billion for the year ended March 31, which was up from $623 million in the previous year.

MAS' asset grew 16.8 per cent to $179 billion. If we assume there were no substantial deposits or withdrawals, does it mean that its total rate of returns was about 16.8 per cent? If this is correct, I would like to suggest that it reviews its policy of not disclosing the rate of return, so that Singaporeans can be even more proud of MAS' performance. The last time MAS' profits achieved such levels was in the year ended March 1999, when they hit $5.8 billion.

Can MAS tell us the rate of return each year from 2000 to 2002? According to its website, Singapore's Total Official Foreign Reserves grew every year over the last five years, with a dip in 2001.

As a financial regulator, MAS requires fund managers to disclose their performance. As every citizen has a stake in Singapore's investments, why is it that MAS does not disclose the rate of return on its investments?

Even Singapore's largest investment company, Temasek Holdings, will release its first annual report in about a month's time

TODAY, Tuesday, 17 August 2004

Letter by Leong Sze Hian

Engage international media, Temasek

Firm urged to respond to contentious Economist report

The Aug 14-20 issue of the The Economist reports that Temasek's 22 major listed companies "made an average return of only 1.7 per cent a year since their respective listings".

It continues: "Many of Temasek's best-performing investments are either monopolies or operate in protected markets with favourable regulation … and the rapidity with which Singapore grew in the 1970s and 1980s, it should have made much more money."

"Worse, when Temasek or its subsidiaries have ventured overseas or had serious competition, they often flopped," the report alleges.

"Singapore Airlines's investment in Air New Zealand was a disaster and had to be written off after the latter went bankrupt, as was SingTel's in C2C, an underwater-cable operator.

"The biggest loss maker, however, has been Chartered Semiconductor, which has bled money for much of the past three years and had to be bailed out by Temasek in 2002."

The report states that "the chief executive of Singapore's state investment agency has refused to give interviews to journalists since taking the reins in May 2002."

Like all Singaporeans, I am proud of Singapore's achievements and feel that such reporting does not bode well for Singapore's reputation globally, especially in light of the fact that The Economist has a worldwide circulation of more than 830,000.

I would like to urge Temasek to engage the international media to defend Singapore's reputation, when it "makes public its annual report for the first time in its 30-year history", in about a month.

TODAY, Monday, 4 October 2004

Article by Francis Kan

Deputy Business Editor

Silence S'pore's Critics

Tenasek Holdings was forced recently to respond to an article in The Economist accusing the Singapore investment holding company of poor corporate governance.

In a letter published in the Sept 18 edition of the weekly news magazine, Temasek said the article "paints a distorted picture of Temasek Holdings".

Two weeks later, international credit rating agency Standard & Poor (S&P) said in a report that Singapore could learn from Hong Kong to be more transparent about its reserves.

Temasek, with the Government of Singapore Investment Corporation, manages the bulk of the country's assets. A reply from the Ministry of Finance (MOF) to the S&P report is expected soon.

The calls for more disclosure are not new. For years, Temasek has had to face a litany of complaints about the perceived shroud of secrecy in which it operates.

Ironically, three Temasek-linked companies – SingTel, Keppel Corp and SMRT Corp – grabbed the top spots at the Singapore Corporate Governance Awards last month.

But with Temasek's annual report due to be made public any day now – the group's annual review was due to be completed last month – it has an ideal opportunity to silence the critics and it should make full use of the chance.

In March, Temasek had announced its decision to make the document available to a wider audience.

As a private exempt company, Temasek is obliged to circulate it only to its board of directors as well as sole shareholder, the MOF.

However, Temasek should bare all, not merely to deflect criticism or as a means to raise funds on international capital markets. Instead, it should strive to be as transparent as the companies it owns, simply because Singaporeans, as a key stakeholder group in it, have a right to know how their assets are being managed.

In a speech at the Institute of Policy Studies (IPS) in February, Temasek chief executive officer Ho Ching proclaimed that the group's ultimate shareholders are the "past, present, and future generations of Singapore". If that is true, then these shareholders should be given the information they are due.

Many Singaporeans have come to regard Temasek as a proxy for the country's past and future economic success.

Its stable houses the nation's most successful companies, including Singapore Airlines and DBS Group, which have become regional and global leaders in their respective industries.

And its numerous and varied acquisitions in recent years have transformed it into a global investment powerhouse, with stakes in banks, telcos and airlines around the world.

In a letter to this newspaper in August in response to The Economist article, financial planner Leong Sze Hian urged Temasek "to engage the international media to defend Singapore's reputation, when it makes public its annual report for the first time in its 30-year history".

For Mr Leong, and probably many others like him, Temasek's reputation has become synonymous with that of Singapore's. To them, a need to hide certain aspects of the country's success somehow tarnishes it, especially when it elicits criticisms from outsiders.

To be fair, Temasek has made great strides in opening up. The release of its charter in 2002 gave Singaporeans an overall, if not detailed, framework of how the investment company intends to operate going forward.

In her IPS speech, Ms Ho lifted the veil further by giving an unprecedented insight into the investment company's performance.

Granted, there are strategic reasons why Temasek cannot be as transparent as a normal commercial entity.

But if Temasek wants to be known as Singapore's investment company – as opposed to a state-owned government agency – it should go as far as it can in its quest to "de-mystify" itself.

TODAY, Wednesday, 13 October 2004

Article by Val Chua

Giants lifts veil of secrecy

Annual report show despite declining returns, Temasek remains profitable

The normally reticent Temasek Holdings unveiled its annual report for the first time in its 30-year history, giving a rare insight into how the $90-billion group is run, without baring all.

Although certain nuggets of information about Temasek have surfaced in recent years, the document gives the clearest picture yet of the investment giant's collective performance.

For instance, it tells the story of how the Singapore investment holding company has remained profitable, despite declining returns.

Temasek registered a whopping net profit of $7.4 billion for the year ended March 31, 2004, compared to $241 million the previous year. The bottom line was boosted by one-off gains such as SingTel's $1.9 billion from its Belgacom divestment.

It also gave a breakdown of the total shareholder's return, measured by market value of its portfolio, over the years.

For instance, the group's annual return was 18 per cent over the past 30 years, but declined to just 3 per cent over the past 10 years, due to the Asian financial crisis, the Sept 11, 2001, attacks, and the Sars outbreak.

The 72-page annual report also portrayed Temasek as a dynamic investor that in the coming years will own a diversified portfolio of assets split between Singapore, Asia and the rest of the world.

In the report, Temasek's chairman S Dhanabalan revealed that the company had invested some $3.3 billion in 35 companies over the last two years, including Singapore's Hyflux, Bank Danamon in Indonesia and Hana Bank in South Korea.

In the same period, it had divested 36 investments, such as Natsteel, netting $765 million in the process.

Over the next eight to 10 years, it expects to see a portfolio with about one-third of its assets in Singapore, one-third in the rest of Asia and the rest in developed economies.

Yesterday's report is part of Temasek's pledge in February to be more transparent. As a private-exempt company, Temasek is only required to show its accounts to its sole shareholder, the Ministry of Finance.

Mr Dhanabalan said the decision to make its books public was part of its efforts to "institutionalise Temasek's role as a long-term shareholder and an active investor".

Analyst said the report is a pre-cursor to Temasek's first bond sale, expected to be as large as US$3 billion ($5 billion). Debt-rating agency Standard & Poor's yesterday assigned Temasek its highest "AAA" credit rating.

Despite the unprecedented transparency, critics said the report could have gone further.

"There is nothing on how much the directors and senior management are paid, for instance," said Mr Leong Sze Hian, a chartered financial consultant.

About $13.5 billion was spent on intangibles, he noted, but there were no footnotes on what this constitutes, unlike annual reports of listed companies.

"Being the first report after 30 years, there's more reason why it must show the highest standard of transparency. I think it still leaves many questions unanswered," he added.

But others said the disclosures are more significant in spirit than in form.

S&P's Greg Pau, director (corporate and infrastructure rating), said: "It's up to Temasek to disclose what they want, since it's not listed. Something is better than nothing."

In some ways, the disclosures are in line with what Temasek chief executive officer Ho Ching pledged earlier this year, when she said the process of opening up would be "measured".

TODAY, Wednesday, 8 September 2004

By Val Chua

Just the tip of the financial iceberg?

Pushy advisers, greedy investors and an industry in need of a reality check

Even as the Singaporeans investor who is suing Citibank for alleged bad financial advice tries to find justice through the courts, many retail investors are starting to ask: Is this the tip of the iceberg?

Madam Lim Ann Nee, who is suing the US banking giant after losing about US$100,000 ($170,200) out of an investment of $230,000, believes so, "I think there are some high net-worth investors out there who have lost a lot of money too, but they are too embarrassed to come forward," she told TODAY.

A verdict for Ms Lim might be a long way off, but this landmark case, which Citibank said has "no merit", has sparked some soul-searching within the financial services industry.

Said Mr M Salim, the CEO of First Principal Financial: "The financial advisory services in Singapore are not at a desirable level yet. Consumers still get a lot of piecemeal advice."

Part of the problem is the "product-pushing" sales-oriented culture in the industry – despite attempts to move away from it – where advisers are often told to meet sales quotas or face the boot.

"The industry joke is that if you come to any financial institution at the end of the year, you'll be sold any product that hasn't met its sales target, no matter what your financial situation is," said Mr Leong Sze Hian, a board member of the Society of Financial Service Professionals.

The problem also lies in the incentives that can sometimes go beyond the usual commissions, to, say, year-end trips or cash bonuses, said observers.

But it is unfair to point fingers only at one party, they added, as investors are also vulnerable to a get-rich-quick mentality, when greed overwhelms reason.

Said Mr Vasu Menon, chief editor of finatiQ.com: "When things go wrong, it's easy to blame the adviser, but you must know what you're buying into."

Although, increasingly, more education seminars are being conducted by the industry, some retail investors can still be blinded by headline grabbing promises and forget the high returns also come with high risks, he added.

So what now for the industry? Clearer rules may help players navigate possible grey areas, said Mr Leong.

Under the Financial Advisors Act (FAA) introduced here in 2002, financial advisers must have a "reasonable basis" for recommending products, and take into account clients' investment objectives, financial situation and needs, as well as fully disclose all facts.

"The problem is when you look at the legislation such as the FAA, they keep referring to best practice but there are no guidelines on what exactly is best practice," said Mr Leong.

The answer may lie in an ISO standard on personal financial planning that Spring Singapore is spearheading here. The standards, which will be ready next year, will set a benchmark across some 17 participating countries, he said.

Another work-in-progress is the proposed integrated dispute resolution scheme facilitated by the Monetary Authority of Singapore (MAS).

This scheme, which may be ready by the end of the year, plugs a hole for aggrieved consumers of stock-broking and financial advisory firms.

Currently, there are channels for banking and insurance disputes, such as the Consumer Mediation Unit (CMU), but not for the capital markets.

Another bugbear of consumers is the hefty fee incurred in unit trust purchases, including a 5-per-cent up-front sales charge, said industry players.

"There is unhappiness among retail investors because most advisers are completely hands-off after inviting investments and getting their clients in," said Securities Investors Association Singapore president David Gerald.

"It's about time they give 5-per-cent worth of services, or reduce this amount."

The other alternative is paying a flat fee for independent advice – rather than for the product – but this has not taken off in a big way, due partially to the proliferation of information on the Internet, said Mr Menon.

"At the end of the day, the onus is on the consumers to monitor their own portfolio. You owe it to yourself," he added.

TODAY, Friday, 10 September 2004

Letter by Spencer Campbell

Secrecy prevents investor diligence

Make public the wrongdoings of financial bodies

I refer to your cover story, "Just the tip of the financial iceberg?" (Sept 8).

I, too, have the same problem with another foreign bank, which I have brought up to the Association of Banks in Singapore (ABS).

Even though the Monetary Authority of Singapore (MAS) and the Consumer Mediation Unit (CMU) told me this was a case of misrepresentation, the bank only had to return me 50 per cent of the loss plus fees.

I am now in a dilemma as to whether or not to take court action. But – as with most big financial institutions – I expect the bank will drag this on to run up the legal fees, thus forcing one to settle.

Even though the matter is on record at CMU; and MS, on its part, will investigate further, we, the general public, will not see anything of what transpires.

So, how do we exercise due diligence when making investment decisions?

I found the following Q&A on MAS' website. To the question: "Can MAS tell me what action it has taken against the financial institution or its staff?"

The answer provided was: "For confidentiality reasons, MAS does not inform the public of its dealing with specific financial institutions. We are, therefore, unable to inform you of the outcome of any investigations or actions we have taken against a financial institution or its staff. This is also the practice of other overseas regulators."

Yet, there are a number of overseas regulatory bodies that do list the wrongdoings of financial institutions.

Why is it that Hong Kong looks like it is full of cowboys operating its financial sector, while Singapore comes out apparently squeaky clean?

Are we, the unsuspecting public, being kept in the dark?

I, or one, think there may be a class-action potential here against some of the bigger organisations. But whom do we turn to if CMU or ABS cannot come to a conclusion you are happy with?

TODAY, Friday, 8 October 2004

Article by Val Chua

MAS issues guidelines on structured deposits

Regulator requires better disclosure during sales process

The Monetary Authority of Singapore (MAS) has clamped down on misleading practices in the sales of structured deposits, requiring banks to comply with tightened guidelines by June next year.

It has also clarified its definitions of structured deposits, which have been marketed as regular fixed deposits, although they carry higher risks.

The regulator's new guidelines – detailed in two reports released yesterday – came after a consultant paper issued last year, following concerns that structured deposits were little understood by retail investors.

An MAS spokeswoman said: "Currently, deposits fall outside the product scope of the FAA (Financial Advisers Act) because they are generally simple and well understood. However, structured deposits are complex products that bear many of the characteristics of an investment. So we want to make things clearer."

Structured deposits have been gaining popularity over the past two years, thanks to their capital protection features and potential investment gains.

However, the capital is guaranteed only if the product is held to maturity, which can be as long as 10 years. Also, returns depend on how the underlying investment instruments – ranging from equities to foreign exchange – perform.

With immediate effect, banks have to reclassify their existing structured deposit products if they do not fall under the definition of a "deposit". For instance, a product that exposes the principal amount to any risk, other than the credit risk of the issuer, cannot be considered a deposit, said the MAS. The same applies to products that repay the principal with anything other than cash, such as shares or bonds.

The regulator wants banks to make clear these distinctions, avoid excessive focus on potential returns, and disclose all fees, risks and early-termination clauses.

Labelling a product as a structured deposit in any marketing material, when it does not bear the characteristics of a deposit, is "tantamount to misleading conduct", the MAS said.

In addition, it said bank tellers should not be involved in marketing or offering recommendations on structured deposits, although they could refer a client to a qualified financial representative.

The MAS has published a consumer guide, "Making sense of structured deposits", which can be found on www.mas.gov.sg

TODAY, Weekend, 9~10 October 2004

Letter by Leong Sze Hian

Pushing structured deposits, despite poor returns

I refer to the article, "MAS issues guidelines on structured deposits" (Oct 8).

I first wrote to the newspaper forum on Dec 12, 2000, on the issue of guaranteed funds, the precursor of structured deposits.

I wrote again on Dec 23, 2002, asking why financial institutions were allowed to re-label guaranteed funds as "structured deposits", as they were essentially the same products.

The main difference is that when called a "structured deposit", there is no requirement to give a prospectus or disclose the charging structure to the investor.

I wrote again on Mar 3 this year on misleading marketing of structured deposits. I understand such deposits are the best-selling investment product every year, with billions of dollars invested, much of it from CPF funds.

When one of the largest tranches of “structured deposit”-type products matured in March, the return to investors was just 90 per cent of their capital back as per the capital guarantee provision.

Last year, while the average return on CPFIS unit trusts was 28 per cent, the bottom five funds with the worst negative returns were all “structured deposits” products.

This situation is underscored by the CPF Board’s reply on Oct 8 to my letter of Oct 1 that CPFIS investors fared less well last year.

From Oct 1, 1993 to Sept 30 last year, about 69 per cent of CPFIS investors did not have realised profits which bear the CPF Ordinary Account interest of 2.5 per cent.

This is worse than the 65-per-cent figure given by the CPF Board on July 17 last year.

Why does the CPF Board wait for forum letters from members of the public such as me, before it discloses this important statistic of cumulative returns of the CPFIS? Why not disclose this significant statistic as a matter of course, every year?

And as for the new rules, why did it take such a long time (four years from the time the issue was first raised) to act?

Why are financial institutions being given another nine months, until June next year, to comply with the new rules?

I have noticed increased activity in marketing and promotion of structured deposits, since the MAS consultative paper was first announced last year.

How many more billions will go into structured deposits in the nine months before the rules come into effect?

TODAY, Weekend, 30~31 October 2004

Letter by Bin Hee Heng

Fairness needed at all times

Bank’s statement on structured deposits call their commitment into question

I welcome the Association of Banks in Singapore’s (ABS) assurance on Oct 25 that “effective Oct 7, banks are not allowed to market as a structured deposit any product that does not satisfy the characteristics of a deposit as defined in the guidelines”.

However, I wonder how the banks will go about marketing such products if they do not have the necessary re-issued marketing materials and trained staff?

The Monetary Authority of Singapore (MAS) should impose a ban on the sale of such products until banks have taken all necessary steps to meet MAS guidelines.

The ABS statement – that "banks are committed to acting with fairness and transparency in their dealings with consumers and are to help customers understand the financial benefit of their products and services and how they work" – begs a question.

Why did banks not act in this way when they rolled out structure deposit products and in selling other investment and investment-linked products which led to significant losses for clients?

Mr Leong Sze Hian, a financial adviser, wrote in 2000 that bank customers were not well informed about the risks of such structured deposits.

Is it not a moral and legal obligation for banks hold themselves to the highest standards at all times? There should have been no need for separate MAS guidelines on structured products.

TODAY, Monday, 3 January 2005

Letter by Leong Sze Hian

The casino conundrum

Social safeguards may, in fact, encourage gambling by Singaporeans

The Government has formally invited potential investors to submit plans to build an integrated casino resort in Singapore. It has also unveiled a list of minimum social safeguards to mitigate the potential ill-effects of gaming.

Among the safeguards, Singapore citizens and Permanent Residents will have to pay membership fees to use the casino facilities. The fees are $100 a day or $2,000 a year.

Here are some possible reactions to the membership fee proposal:

•"Might as well pay $2,000 and then I will be encouraged if not, in a way, forced to go as often as possible – make full use of it – kiasu you know!"

•"If my foreign friends come and want to go, I cannot say I cannot afford $100 – lau kui (lose face)!"

•"Most people will surely want to go at least once for the experience, but since must pay $100; maybe will place bigger bets just to recover the fee."

•"Not fair! How can the lower income be like second-class citizens? You mean only the rich can be lucky?"

•"How can? The very basis of being a citizen is that I have better benefits than a foreigner, so how can a citizen be discriminated against?"

•"If don't have $100 or $2,000, no problem! Just borrow to pay first. If I want to gamble, borrowing $100 or $2,000 will not deter me."

•"Are there any other countries that charge their citizens more to enter the casino? Wah piang (Oh my)! Like another ERP or COE! Who keeps the fees? The casino operators or the Ministry for casinos?

•"It's simpler to have a complete ban. If, as I understand it, about 75 per cent of Malaysians cannot enter the casinos there, and they make huge profits, why can't Singapore do the same since one in five here is a foreigner?"

•"Investors may invest less than originally planned. This may reduce the economic benefits to Singapore – which is, after all, the main reason for having a casino here."

•"Paying $100 or $2,000 is more convenient than going to Genting, Batam or taking a gambling cruise."

Perhaps the best way to evaluate whether to take a chance on a casino is to hold a public forum and ask what people would do.

This makes more sense than arbitrarily deciding what is morally or economically right and leaving it to investors to figure out what proposals to make within the limitations.

Instead of being given the social safeguards, investors should be given a free hand to come up with proposals that address the social concerns and are, at the same time, economically viable and beneficial.

TODAY, Tuesday, 22 February 2005

Article by Chan Kwai Seng

Play your cards right

With a dazzling array of lifestyle benefits on offer, consumers should learn how to get the most out of their plastic

In a city with a penchant for setting new records of every kind, Mr Leong Sze Hian would be a strong contender should a category for Singapore's thickest wallet ever open.

The financial consultant never steps out without his 21 credit cards in a customised wallet, leaving only one card at home – just in case he gets mugged.

“Everywhere I go, I will ask if there is any special discount for credit cards – for example, when I order my food or pay the restaurant bill,” said Mr Leong, explaining why he carries such a large number of cards.

Bargain-savvy cardholders like Mr Leong have much to cheer about these days, as banks slug it out in an intensely-competitive market by introducing card privileges that seem to get better by the minute.

These run the gamut from the ubiquitous frequent flyer miles to shopping vouchers and free concierge services.

In recent years, the trend has been for banks to tailor such perks to lifestyle segments with high purchasing power, such as affluent yuppies or female executives.

United Overseas Bank (UOB) was the first to target exclusively the female market with its Lady’s Card, which came with privileges that included the free use of spas and gyms, as well as invitations to exclusive events such as fashion house previews and sales.

Other banks have since jumped on the bandwagon to offer similar cards, such as Citibank’s Clear Visa that woos young working adults with networking opportunities and rebates for professional courses.

DBS’ American Express Black Card plies sophisticated urbanites with air miles on Singapore Airlines and bonus points at high-end fashion outlets.

While banks are still rolling out cards targeted at specific lifestyle segments, co-branded cards are emerging as a category that is fast gaining popularity.

These cards are offered by banks in collaboration with partner firms such as airlines, retailers, telephone companies and restaurant chains.

Such cards provide discounts and exclusive privileges for services offered by the co-branded partners and are a way for banks to cash in on previously inaccessible customer segments, said Asian Banker research manager Christian Kapfer.

The co-branded card creates visibility as the partner firm’s brand is seen whenever the card is used.

Customer loyalty is also likely to be reinforced, especially when incentives are offered to buy the partner’s product or service.

In some cases, the partner firm gets a direct share of the income when the holder uses the co-branded card.

In the battle for the increasingly crowded skies, budget carrier Tiger Airways teamed up last year with UOB and Visa International to offer the UOB Tiger Airways Visa Gold Smart Card.

UOB Tiger Airways Visa Gold Smart Card members enjoy travel privileges in addition to the privileges accruing to cardholders of other UOB credit cards. The perks include advance notice of all Tiger Airways promotions, discounts on selected Tiger Airways tickets, exclusive fares on the low-cost carrier and discounts on in-flight duty free purchases.

Mr Kapfer described co-branded cards as being part of banks' strategy to raise average card spending in the saturated credit card market here, where typical cardholders own about five pieces of plastic.

"What we have now is a very fierce battlefield where banks are hooking customers on credit cards and making them spend more," he said.

With dozens of credit cards on the market, it pays to choose the right one if you take a moment to review your spending patterns and lifestyle.

Take shopping for instance, widely regarded as the favourite pastime of many Singaporeans.

If you shop frequently at a particular department store, Mr Kapfer suggests getting a card that is co-branded with that retailer to enjoy exclusive discounts and privileges.

These cards include Overseas-Chinese Banking Corp's OCBC Robinson Visa, Citibank Tangs Visa, DBS Takashimaya Visa, Standard Chartered Esprit Visa and Metro UOB Visa.

In addition to store rebates, these cards also offer exclusive privileges such as invitations to card-member events and special sales.

Jetsetters who want to enjoy free flights can turn to cards such as American Express' KrisFlyer Gold that is co-branded with Singapore Airlines or Citibank's Cathay Pacific Visa that also comes in Platinum.

An American Express' KrisFlyer Gold cardholder will get a return economy ticket to Bali if he or she spends $16,000 on the card.

Those who prefer to fly on the cheap can take up the UOB Tiger Airways Visa Gold or DBS' AirAsia Mastercard.

"It is all about maximising your spending power and minimising costs," said Mr Kapfer, explaining how consumers could benefit from co-branded cards.

While it has become second nature for cardholders like Mr Leong to enquire about special card promotion at retail and dining outlets, banks say it just as important to keep yourself updated on their latest card offerings.

This may be as simple as paying closer attention to advertisements in the media and not tossing out the colourful brochures included with your monthly statement.

Banks told TODAY that they keep customers informed of card promotions through a variety of channels, such as newsletters, advertisements, point-of-sale materials and their websites.

For those no longer contented with the usual flyer miles and shopping discounts, there is now a dazzling array of more innovative perks to light up the eyes of even the most jaded cardholder.

OCBC's Titanium Card comes with a minimum income requirement of $50,000 and offers its well-heeled clients privileges in what it calls "lifestyle surgery".

Cardholders enjoy special rates for image-enhancing procedures such as Botox shots, teeth whitening and Lasik eye surgery at four different clinics.

If you have been frustrated by the long fitting-room queues in department stores you will appreciate the ones at Tangs has reserved for holders of the Citibank Tangs Visa Card.

Two of these can be found in the ladies' and casual apparel sections of the Orchard Road retailer. Cardholders can present their cards to use the reserved fitting rooms.

Tangs' marketing and communication manager Lim Pei Hua told TODAY that prior to re-launching the co-branded card with new privileges, the store conducted focused-group discussions with existing cardholders to find out what they wanted most.

"They mentioned free parking and reserved fitting rooms because during a sale or peak hour, it's the queuing that takes up a lot of time. So we give them what they want," she said.

TODAY, Weekend, 1~2 October 2005

Article by Jasmine Yin

Funding taps for SAVH turned off

Society of Moral Charities picked to help SAVH clients

Starting today, the National Council of Social Service (NCSS) will discontinue its $1.4 million in annual funding to the Singapore Association of the Visually Handicapped (SAVH).

The reason is the slow progress in the negotiations between SAVH and the NCSS task force, formed two weeks ago to help improve service standards, governance and financial management at the troubled charity.

Further funding from the Ministry of Community Development, Youth and Sports Ministry amounting to $89,000 will also cease, said the NCSS.

"It was a difficult decision," said NCSS chief executive officer Benedict Chong. "We have been trying to work with them, but the situation was still not satisfactory."

The task force – headed by NCSS director of service development Tina Hung – had been unable to make headway, partly because the charity was dragging its feet over how much authority to hand over,

"We had made it very clear to them that, if you want us to help, you need to give us the authority to act. Otherwise, our task force would be an advisory one, just to recommend changes," said Mr Cheong. "We are not sure if the changes would be implemented."

The task force is in "semi-standby" mode now, in case the SAVH wants us back and are prepared to give us the authority".

The SAVH gets the bulk of its funds from the Community Chest, the fund-raising arm of the NCSS. While it has 2,500 blind and partially sighted members, only about 300 were being helped.

In January, the charity found itself in trouble when the NCSS suspended its Institution of Public Character (IPC) status, following a mass resignation of board members and staff.

The findings of an independent NCSS-commissioned audit in August had highlighted "gaps of weaknesses" in the charity's services.

Said Mr Chong: "We have been working on this for nine months. We have no choice now but to say that if you can't provide the right service to the clients, then somebody else will have to do it."

That "somebody else" is the Society of Moral Charities. The services it will provide – at its Moral Welfare Home on Henderson Road – include assessment and referral services by social workers, training of beneficiaries with employment skills and help to secure jobs.

But services to the home will be provided from the Braddell and Toa Payoh MRT stations.

Also, the society has joined forces with the Singapore National Eye Centre to help beneficiaries.

A helpline (6788-2215), staffed by the society-run Disability Information and Referral Centre, has been set up for clients to register for services.

Mr Cheong said that what the society lacks in experience in serving the visually handicapped, it more than makes up for in its strong pool of therapists and social workers and its network of and experiences with various disability groups.

"Our assessment was that the Society of Moral Charities is best positioned to quickly rev up the service. We want to minimise any disruption in services."

Mr Cheong emphasised that, despite the latest development, negotiations with the SAVH are on-going.

If the charity makes the necessary changes in its operations, he said, "There's no reason why they cannot apply again for NCSS funding."

TODAY, Tuesday, 8 August 2006

Article by Lee Ching Wern

Credit cards may fit in shallower pockets

In a move that could bring easier unsecured credit to the Average Joe and potentially higher credit card limits for those earning more, the Government is now looking at tweaking the credit regime.

The Monetary Authority of Singapore (MAS) and the Ministry of Law have sought public feedback on a number of proposed changes.

Until now, you needed an annual income of at least $30,000 to obtain unsecured credit – such as a credit line or card – from a bank. This limit could be reduced to $20,000. The income requirement for credit cards, however, remains $30,000.

At the same time, a bank until now could allow you a limit of up to twice your monthly salary on both credit cards and other unsecured credit facilities – through ATM cards, for example. For those earning more than $30,000 a year, these limits will be merged into an aggregate of four times your monthly salary so that you can pick the form of credit you want.

For those with annual income of at least $20,000 and below $30,000, the maximum aggregate credit limit will be twice their monthly income.

At the same time, credit bureau checks have been made compulsory.

The playing field is being evened in another way, too.

Until now, moneylenders such as GE Money were not subject to the same rules as banks.

Last year, GE Money and SingPost reached to low-wage earners with loan offers. Under their ezyCash loan, consumers who earn $18,000 a year can obtain personal loans of up to four times their monthly pay, subject to a cap of $12,000. The banks cried foul and moneylenders may soon have a tighter regime to follow.

There will be no need for any mandatory checks for unsecured loans of up to $3,000.

This could possibly prevent the low-income earner from turning to loansharks.

On the other hand, the borrower must have an annual income of at least $20,000 for any loan above $3,000.

For those with an income between $20,000 and $30,000 a year, the loan cannot exceed twice the monthly salary. That is half the amount that GE Money was offering until now.

Beyond an income of $30,000 a year, it will be capped at four times the monthly salary.

An MAS/Ministry of Law statement said that the changes "do not signal a relaxation in the Government's policy stance towards unsecured credit".

Recent advances in risk management practices and the introduction of the credit bureau have made unsustainable debt for borrowers less likely. Setting the minimum annual income at $30,000 denies some 64 per cent of the working population – or about 1.4 million people – access to unsecured credit granted by financial institutions.

"This group of individuals may have a legitimate need for unsecured credit which at modest levels they would be able to afford," said the statement.

Financial institutions welcomed the proposed changes.

"The common application of unsecured credit rules to moneylenders and banks will create a more level playing field in the industry," said Mr Anand Cavale, Business Director for Credit Payment Products, Citibank Singapore Limited.

"The proposed changes also give people more options, since credit can now be extended to those who can afford it. They open up opportunities for a group of individuals who previously had limited access to unsecured facilities," said Mr Andy Chan, Head of OCBC Bank's Group, Marketing Services & Unsecured Lending.

DBS Bank and UOB also welcomed the move, as did GE Money.

"We are pleased to note that one of the proposed changes pertains to compulsory Credit Bureau checks, a policy change which we fully support," said Mr Michael Puhaindran, senior vice-president (legal and communications) for GE Money.

There are some concerns, however.

As of June this year, the total amount of rollover debt in Singapore was an estimated $2,783 billion and the amount of bad debts written off was $10.6 million.

"Generally, Credit Counselling Singapore welcomes the relaxation of income requirements to $20,000 as this will make it possible for individuals who have hitherto

been excluded from borrowing from banks and had to resort to illegal moneylenders," said Ms Tan Huey Min, the charitable society's assistant director.

However, there is a risk that many individuals will be tempted to borrow beyond their means.

"As proposed changes only imposes limits on the amounts which each institution can give to an individual and from our experience, it is very easy for an individual to borrow more by just going to more institutions," said Ms Tan.

TODAY, Wednesday, 9 August 2006

Letter by Leong Sze Hian

The mystery of debtor pile-up

Fewer bankrupts discharged despite measures – why?

I refer to the front page article about proposed changes to the credit regime (Aug 8).

About 450,000 more Singaporeans may soon be able to borrow money from banks without putting up any collateral, thanks to a new proposal to lower the minimum income requirement for personal credit lines from $30,000 to $20,000.

As of June this year, the total amount of roll-over debt in Singapore is an estimated $2,786 billion. This, I understand, is a record high.

Recently, the age limit for supplementary credit-card holders was also reduced to 18.

According to the Insolvency and Public Trustee's Office's (IPTO) website, the total number of undischarged bankrupts reached 24,138 as of June 30, which I understand is an all-time high.

The number of bankruptcy discharges each year has been falling from 3,148 in 2002 to 1,682 last year, a decline of 47 per cent. The year-to-date figure as of June this year is only 607.

Even though bankruptcy petitions and orders are falling, the decrease in bankruptcy discharges has the net effect of increasing the total number of bankrupts. Why is the rate of bankruptcy discharges falling at such a rapid rate?

This is happening despite measures to facilities earlier discharge from bankruptcy by expanding the scope of application of discharge by certificate to include bankrupts with debts less than $500,000, and reducing the period of eligibility of consideration for discharge by certificate from five years to three years. Why?

The intent of the legislative "changes to the bankruptcy regime to cultivate and foster a climate of greater tolerance for failure", as stated in the IPTOs website, do not seem to be bearing fruit, in light of the above statistics.

Perhaps only time will tell whether the statement, "Recent advances in risk management practices and the introduction of the credit bureau have made unsustainable debt for borrowers less likely", is prophetic.

The proposed relaxation of credit might lead to more becoming bankrupt or financially stressed in the future.

TODAY, Tuesday, 15 August 2006

Reply by Moey Weng foo

Assistant Official Assignee

Insolvency & Public Trustee's Office

No auto-discharge

Majority of undischarged bankrupts are uncooperative, make little effort to repay debts

We refer to Mr Leong Sze Hian's letter "The mystery of debtor pile-up" (Aug 9).

Credit is as vital as capital to the economy. Credit allows businesses to invest and operate, and individuals to buy what they need.

The integrity of the credit system must therefore not be undermined.

For this reason, the insolvency regime must give creditors the confidence to extend credit to borrowers, knowing that their rights and interests will be protected in the event of default.

At the same time it should discourage irresponsible and reckless behaviour by borrowers, thinking that bankruptcy is a way to avoid repaying their debts, and it should help rehabilitate bankrupts.

Bankrupts who take responsibility for their financial distress and make every effort to repay their debts will benefit from being discharged from bankruptcy early.

On the other hand, uncooperative bankrupts who make no effort to repay their debts and attempt to avoid their financial obligations will find it difficult to obtain a discharge from bankruptcy.

The Official Assignee's authority to issue a certificate of discharge, provided that the debt owed is less than $500,000 and that the bankrupt has been in bankruptcy for a period on not less than three years, should not be misconstrued as giving an automatic discharge from bankruptcy for those who meet the criteria.

Discharge by Certificate of the Official Assignee is subject to the approval of the creditors and under the supervision of the High Court.

Hence, the onus is on the bankrupt to make every effort to repay his debts in order to gain early discharge.

TODAY, Thursday, 31 August 2006

Letter by Roy Chan

Shaped by business instead of consumers

Mr Siew provided excellent views on the state of affairs in our public transport system.

The age-old criticism of corporatizing or privatising public services – which often leads to monopoly on this island of four million people – is often dispelled with the "market forces" arguments.

While it is not wrong to leave things to market forces, its implementation is business-centric rather than consumer-centric. Often, consumers do not see much added value because there has been no fundamental change in the way we buy, due to lack of choices.

Do we choose whose electricity, water and gas to use? Who lays the telephone wire in our households? Do we really choose which taxi to take on the road? Can we choose which MRT train to ride from one station to another? How about buses?

With the absence of choice, consumers are subjected to supplier's price discretion. So, "market forces" are essentially shaped by businesses – not something consumers have a real hand in.

It is thus no surprise that while consumer complaints have been on the rise some privatised organisations continue to report handsome profits year after year. Usually, private companies lose business as a result of dissatisfied customers.

If the only way to level the playing field and represent the consumer's rights is through government regulation, then why privatise in the first place? The question for the authorities is what do they define as "market forces"?

Is the principle consideration in privatising public services such as transport based on consumer value, or is it for the purpose of boosting economic performance through business entities?

TODAY, Wednesday, 13 September 2006

Letter by Leong Sze Hian

SingTel should explain

I refer to the report "Optus may hurt SingTel earnings" (Sept 12) in which investment bank Merrill Lynch said that SingTel may have to write down as much as $8 billion on its Australian unit Optus.

If that happens, I believe it may be the largest write-down ever by a Singapore listed company.

About one out of two adult Singaporeans own shares in SingTel, the first public services agency to be privatised on November 1, 2003. I think these shareholders deserve an explanation as to how and why up to $8 billion may be gone, so that we may learn from the experience.

TODAY, Weekend, 16~17 September 2006

Reply by Peter Heng

There's plenty of research and info on SingTel out there

I refer to the letter by Mr Leong Sze Hian, "SingTel should explain" (Sept 13).

In line with the Singapore Financial Reporting Standards, SingTel has ceased amortisation of goodwill on acquisition since April 2004. However, the carrying value of goodwill continues to be reviewed annually or whenever there is an indication of impairment.

The review is based on a set of well-established guidelines and underlying assumptions such as industry growth, interest rates and other risk factors.

At the last review for the financial year ended March 31, 2006, SingTel's external auditors had signed off that a write down of Optus carrying goodwill is not required.

As a matter of good corporate governance and disclosure, any events that are of interest, any events that are of interest to our shareholders will be disclosed in a timely manner.

In the case of any goodwill impairment, and certainly in the magnitude suggested in the recent analyst report, it will be disclosed.

In any case, it is important to understand that both goodwill amortisation and impairment charges are non-cash accounting adjustments. They do not affect the company's cash flow generation, which remains of healthy levels.

SingTel is a well-researched stock and is covered by more than 20 financial analysts. According to Bloomberg data, the number of analysts today with "buy" or "hold" recommendations for SingTel is 18, compared to only one analyst who has a "sell" recommendation.

We like to advise our shareholders to read a wider selection of reports for a more balanced view.

TODAY, Wednesday, 4 October 2006

938Live

Rich Singaporeans are Asia's top shoppers

Wealthy Singaporeans are the region's top shoppers, even as their average monthly income of US$5,355 ($8,475) stays almost unchanged from last year's.

Market research from Synovate's newly-released findings on its survey on the affluent top-20-per-cent income earners in 11 Asian markets found that 51 per cent of Singapore's elite enjoy shopping – the highest number across all countries. This is well above the regional average of 38 per cent.

The survey found Singaporeans especially liked buying electronic gadgets and digital equipment. They had high ownership levels of products such as digital cameras, liquid crystal display TVs, MP3 players and mobile phones.

Wealthy Singaporeans also travelled more last year. Over a third went overseas one or more times on business, up about 20 per cent from last year.

A third now own unit trusts, about 20 per cent more than last year.

TODAY, Wednesday, 11 October 2006

Article by Christie Loh

Singapore, one giant hotspot

Singapore takes a big step in the infocomm age with free WiFi for 2 years from January

From January, the information age will have another free conduit in Singapore, which allows wireless access to the Internet from almost anywhere on the island. All a person would need is a laptop or mobile phone that can detect Wireless Fidelity (WiFi), a technology that transmit data via radio signals.

Free connectivity will first cover areas with high human traffic, such as Orchard Road and the Central Business District (CBD), before reaching thousands of other designated public areas by September next year.

This zero-dollar unlimited usage offer will last three years, say SingTel and iCell Network, whose proposals beat six other bidders. As for QMax Communications – the third chosen operator – it is unsure if it will offer free surfing beyond the stipulated two years. "It will depend on the market environment at that stage, as well as what the other operators are offering then," QMax director Alex Tan told TODAY.

After those "free" years, access is still expected to remain "highly affordable", Prime Minister Lee Hsien Loong said yesterday, during a gala dinner to celebrate the nation's 25 years of infocomm development.

Though the free wireless initiative was greeted with widespread appreciation, telecoms analysts say that people should not ditch their broadband subscriptions as yet, as the public network may raise some security and quality issues.

The free package is for Internet access speeds of up to 512 kilobits per second (Kbps), which is 10 times faster than dial-up connections, although slower than SingTel's fixed broadband service, which can go up to 25,000kbps, and StarHub's MaxOnline and Pacific Internet, which can reach speeds of 30,000kbps. Those craving higher speeds on the wireless networks can pay for that service, say the companies, who will reveal details in December.

The free service will enable users to surf seamlessly throughout the country's 5,000 "hotzones" regardless of the service provider. For instance, SingTel has been designated to run the WiFi network in the northern parts including Bishan and Orchard Road. But Internet access in those areas will be open to subscribers of iCell and QMax.

However, Singaporeans should not expect to easily gain free WiFi access from their home. The hotzones are designed to cover public areas, such as HDB town centres and bus interchanges.

Even if a flat falls within the wired are, the free broadband connection may not be what the user is accustomed to, said Mr Victor Liu, industry analyst of In-Stat, a market research firm. He explained that the signal strength depends on location and the number of people sharing one access point. What is more, there are limits to what WiFi can do, Mr Liu said.

“When you are moving, you can’t go online. You have to stay at a table in a coffeeshop. So you can’t expect to use WiFi to make mobile calls,” he told TODAY. Also, a free network may create concerns about “hackers”, said Mr Liu.

Although passwords could provide some protection, workers handling sensitive information may be hesitant to log onto the public network., Mr Liu said. For this reason, he believes homes and businesses will not look to terminate their fixed broadband and mobile subscriptions once the wireless broadband service is launched.

However, Mr Liu said the long distance call businesses of SingTel, StarHub and MobileOne might suffer slightly. This is because the wireless operators will be offering unlimited calls over the Web, which is also known as Voice-over Internet Protocal (VolP), as long as a mobile phone or laptop is WiFi enabled. It is by offering Web-based services such as VoIP and video content that the WiFi operators are hoping to snare subscribers and make money, the three companies said at a media briefing.

The WiFi infrastructure is estimated to cost a total of $100 million, of which $30 million will be subsidised by the Government. Strategically, the infrastructure investment wil reinforce Singapore as a place to do business, said telecoms consultant Mike Connors.

Aside from wiring up the country, the Government will work to help certain groups of Singaporeans jump on the infocomm bandwagon, said Mr Lee. About 10,000 low-income households with school children or disabled family members will pay under $300 to get a brand new desktop computer with three years of free SingNet broadband access.

In the first quarter of next year, the Ministry of Community Development, Youth and Sports will have set up an Infocomm Accessibility centre that will provide the disabled with industry-relevant apprenticeship programmes and suitable technology tools. The elderly also have a part in the grand plans. They can attend workshops on how to use Web-based applications including Instant Messaging and online mahjong, as well as new hobbies such as digital photography.

We must create digital opportunities for all Singaporeans, and never allow a digital divide in our society,” said Mr Lee.

TODAY, Thursday, 31 October 2006

Article by Jasmine Yin

Charities miss out as their money sleeps in banks

The Singapore Children’s Society has a neat little pile of reserves stashed away and figures that they should work harder for it.

The charity is now in the process of hiring a fund manager, its chairman Koh Choon Hui told TODAY.

It wants a 5-per-cent return on its assets, so, apart from putting them into tried-and-tested fixed deposits, it could end up with a "small component of equity, because that's where it will grow".

But the children's society is an exception. Charities could always do with higher returns, but they often do not want to step out of their comfort zone.

A survey conducted by the Saw Centre for Financial Studies at the National University of Singapore shows that when it comes to investment, charities here are very conservative.

Conducted in March and April, it found that of the 81 organisations polled – 76 Institutions of Public Character (IPCs) and five Town Councils – nearly half, or 39, have set aside funds to invest. Of these, 18 have reserves valued at more $10 million, while another 18 have less than $5 million.

The investments are "highly conservative", according to the survey. One in four kept all their funds as bank deposits. Other popular investment options were shares and bonds.

About 57 per cent of respondents preferred a one-to-three-year investment horizon, while 35.1 per cent chose three to five years.

Almost half do not have a clearly written investment charter and policy – two best practices that IPCs are encouraged to adopt, said the survey report.

Two in three respondents said they have never employed external fund managers and that all assets are managed internally. Of those who manage their assets internally, 50 per cent do not have a dedicated team or individual as investment managers – a point of concern flagged by the report.

"A lot of board members simply put the money in fixed deposits when they could have invested in something that is quite 'safe', like Government bonds, and earned higher returns in the longer term, "veteran investment banker Lai Hock Meng said.

He argued that professional advice should be sought on how to maximise mileage from their funds, especially for large charities or IPCs with reserves of $10 million or more.

Mr Lai, who is the Saw Centre's executive-in-residence, pointed out that safeguarding the purchasing power of reserves is part of good financial practices and management.

"When this purchasing power is protected – or better still, enhanced – you can fund your projects or serve your beneficiaries better," he said.

But unlike companies, charities run into their own unique dilemmas when it comes to investing their reserves.

“It’s a question of how much, where and how to invest. If you make money, no one will question you. But if you lose money, people will accuse you of negligence,” said Thye Hua Kwan Moral Society chairman Lee Kim Siang.

The charity has been ploughing “small amount” of its reserves into investments such as blue-chip and bank shares for four years now. “We had to invest because bank rates were very low and it wasn’t worth it,” said Mr Lee. “But we don’t invest in riff-raff stocks.”

Secondly, there are limitations to what IPCs, which are bound by the Trustee’s Act, can invest in – a point that Singapore Children’s Society chairman Koh highlighted.

“The Trustees Act gives the guidelines on what you can invest in. That means you can only invest in Singapore trustee stocks if you want to invest in stocks, or bonds issued by statutory boards, and so on. But for these, you nee a five-to-10-year timeline,” he said.

So, even hiring a professional fund manager doesn’t mean that charities can suddenly invest in volatile equity stocks, in, say, India, he said.

“The Act is right to make sure that you don’t go into very speculative stocks – because you could lose everything,” he said.

Moreover, investments fluctuate in worth over the years, and any loss will be reflected in the financial statement and annual report of the charity or IPC, he said.

Indeed, the prospect of reporting losses to the public is an awkward factor that inhibits these organisations from being more aggressive in putting their money to work, said Mr Koh.

“We’re trustees of public money, so we always have to dwell on the cautious side when it comes to investing,” he said.

Mr Lai will share the Saw Centre’s survey findings, as well as good practices in investments of non-profit reserves, at a conference on Thursday.

Organised by the NUS Business School’s Corporate Governance and Financial Reporting Centre, the conference is aimed at helping those who manage non-profit organisations. – With additional reporting by Lin Yanqin

TODAY, Wednesday, 1 November 2006

Letter by Leong Sze Hian

No big boost to charities' stock

Fund manager alone not enough to manage wisely

Your front-page article "Charities miss out as their money sleeps in banks" (Oct 31) states that at least one charity is now in the process of hiring a fund manager, and that almost half of them do not have a clearly-written investment charter and policy.

Two in three respondents of the survey said they have never employed external fund managers. Half of those who manage their assets internally do not have a dedicated team or individual as investment managers.

The case law, particularly in the United States, indicates that the mere hiring of a fund manager may not be sufficient for prudent discharge of the investment fiduciary duty and responsibility of the trustees, board members and corporate officers of charities and other non-profit organisations.

The Foundation for Fiduciary Studies, a non-profit American organisation, has developed practice standards of care for investment fiduciaries, which includes trustees and investment committee members of trusts, retirement plans, endowments, so on.

Charities may like to refer to the handbook, Prudent Practices for Investment Stewards and Investment Advisors (Worldwide edition), for more information on fiduciary responsibilities, prudent investment process, practices to manage investment decisions prudently and so on.

TODAY, Wednesday, 1 November 2006

Letter by Low Lee Meng

Give stocks a wide berth

I disagree with the idea of charities investing in stocks, even if it is only a small portion of their reserves.

When a donor gives funds to a charity, he expects the money to go to help the needy.

An investment bank is quoted in the report, but I would think there is a conflict of interest. Can the bank guarantee a return for the charities' reserves?

Mr Lim Kim Siang of the Thye Hua Kwan Moral Society said charities have to invest because the bank rates were low; also, they do not invest in “riff-raff stocks”. But how do you tell which is “riff-raff”?

Look at what happened to those who had put their money in the British Barings Bank, which subsequently collapsed in 1995.

Have you seen the prices of the so-called blue chip stocks during the Sars period? And what of the many reputable fund managers who sell their portfolios at a low price, believing that the situation may get worse? Charities should concentrate their resources on help beneficiaries.

If the public sees that the charities are doing their work diligently and with all their hearts, money will pour in. They will not have to worry about not have enough funds.

Do not diminish the confidence of the people – already damaged by the National Kidney Foundation saga – by investing in stocks.

TODAY, Monday, 20 November 2006

Letter by Leong Sze Hian

Why raise postage rates when SingPost is making a profit?

I refer to reports that Singapore Post (SingPost) will increase postage rates from Dec 18.

The increase is from 23 to 25 cents, 70 cents to $1.10, and $2 to $2.20, for domestic mail weighing 20g or less, international airmail zone 3 and registered mail respectively.

SingPost has cited increasing costs and declining volume of postings as the reasons for the move.

However, according to its website, net profit rose by 19.9 per cent to $36.1 million for its second quarter, compared to the same period last year.

In its financial year ended March 31, 2006, SingPost’s income increased by 12 per cent to $124 million.

What then is the justification for raising rates now?

Its statement said that “Domestic mail postage rates were last revised 11 years ago” is incorrect. According to its press release dated Dec 22 2003, on its website. “it will revise its domestic postage rates for standard mail for the first tow weight steps of 20g and 40g with effect from Feb 3, 2004 to account for the revised 5 per cent Goods and Services Tax (GST) which will take effect from Jan 1, 2004 … the postage rate for standard mail up to 20g will be revised from $0.22 to $0.23”.

By the way, the increase from $0.22 to $0.23 was a 4.5-per-cent increase to offset a 1-per-cent increase in GST?

TODAY, Wednesday, 22 November 2006

Reply by Ishwar Mahtani

SingPost needs competition so that prices stay low

I agree with Mr Leong Sze Hian's points ("Why raise postage rates when SingPost is making a profit?" Nov 20). It is strange that SingPost has decided to raise postage rate when their rates are already quite high.

In fact, it is high time we see a competitor. If consumers have no choice, the sole service provider can take advantage of the situation.

Who else can Singaporeans turn to for cheaper mailing services? We need other players in the field, so that the competition will keep price low and affordable.

If postage rates keep on increasing, the profit margins of companies here may be affected if and when their customers are no longer willing to pay the high costs of placing their overseas orders with us.

TODAY, Weekend, 25~26 November 2006

Reply by Tay Poh Choo

Vice President, Corporate Communications/Customer Service

Singapore Post Limited

Market forces and your mail

Rising rates just one of the ways SingPost ensures it remains viable

We refer to the letters on postage rates increase by Mr Joseph Raj, Mr Gary Lee and Mr David Kwok Ng Kan (Now 23).

SingPost is offering special festive postage rates for greeting cards from Oct 1 to Dec 31. The public can post greeting cards to a local address for 23 cents (20g) and 31 cents (40g).

The No-Value Indicator (NVI) 1st Local stamps purchased before Dec 18 can still be used after the rates revision as these stamps take on the prevailing domestic postage rates for 20g weight-step. The usual postage rate for non-standard greeting cards is 50 cents.

A similar promotion is ongoing for international mail. For sending of parcels, the public can enjoy savings and rewards with Speedpost Worldwide services at post offices from now till Jan 31.

Customers with prepaid envelopes can continue to use them even after the rates revision on Dec 18, as the stamp impression on these envelopes takes on the value of the prevailing postage rates.

I also refer to Mr Leong Sze Hian's letter, "Why raise postage rates when SingPost is making profit?" (Nov 20).

In 2004, when Goods and Services Tax (GST) was increased to 5 per cent, SingPost adjusted its domestic postage rates by one cent for only the 20g and 40g weight-steps to offset the increase in tax. The last time domestic postage rates were increased was 11 years ago, in 1995.

Throughout the years, SingPost has managed to maintain the postage rates by putting in place various measures to mitigate rising labour and fuel costs, including enhancing staff productivity and optimising schedules and routes.

Over the past 11 years, operating costs, mainly manpower and fuel costs have continued to rise. Although SingPost has invested in automation in sorting and processing of mail to help reduce manpower costs, mail delivery is still highly labour-intensive.

Manpower costs have increased more than 40 per cent. Distribution costs arising from collection and delivery of mail have risen more than 200 per cent, due mainly to fuel price increases. Additional, for international mail, terminal dues or international settlement rates between countries have been significantly.

As a listed company with responsibilities to its shareholders, SingPost has to ensure that its business is viable and that it continues to grow, both for the benefit of shareholders and customers.

SingPost embarked on a diversification strategy several years ago, leveraging on its core competencies and extensive retail network.

This strategy is bearing fruit, with new businesses contributing to the overall growth of the company.

In our recent second quarter results, contributions from non-mail business and the one-off sale of a non-core property boosted our net profit. Excluding the sale, we registered an underlying net profit growth of 4 per cent. Specifically in the mail business, public mail volumes have continued to decline as a result of e substitution.

However, SingPost has managed to offset the decline by focusing on growing direct mail which includes advertising mail. As a result, it managed to grow mail revenue by 1.7 per cent.

SingPost is mindful of its responsibility towards the public at large. As a basic service provider, it therefore takes care to ensure that its postage rates remain affordable and that it continues to provide a high level of service.

In spite of the increase, Singapore's domestic rates are still among the lowest in countries of comparable economies.

TODAY, Weekend, 25~26 November 2006

This information is provided by the Monetary Authority of Singapore (MAS) as part of the Moneysense national financial education programme.

Aggressive selling: Protect yourself

Mr Timothy Chew received a call from a telemarketer of a bank promoting an insurance policy that would help him pay off the outstanding balance in his credit card should anything untoward happen to him.

SOME COMMON TELL-TALE SIGNS OVER-SELLING

The telemarketer spent half an hour telling Mr Chew about the benefits of the product and persuaded him to sign up.

Despite the telemarketer's efforts, Mr Chew told the marketer that he was not interested in the policy.

Two weeks later, Mr Chew was puzzled to receive a letter from the bank confirming that he had purchased the insurance policy and that they had charged the premiums to his credit card account.

There was a clause in the policy stating that should he wish to cancel the policy, he would have to write to the bank. He immediately contacted the bank to find out what happened.

The bank investigate and found that the telemarketer have been overzealous in wanting to close the deal and had gone ahead to process Mr Chew's application despite have been told that he was not interested. The bank apologised to him for the incident, cancelled his policy and refunded him the premiums.

The case story above is an example of aggressive selling.

Aggressive selling occurs when salespersons use high-pressure sales tactics to make that quick dollar out of you. There is often a high degree of persistence and sales talk amid the financial advice that is given.

To protect yourself from becoming a victim of aggressive selling, here are some tips:

With telemarketers:

1. Ask for identification such as the caller's name, contact details, company and their purpose in calling. These details will help if you need to lodge a complaint later.

2. If you do not need the financial product, tell them firmly that you are not interested and end the conversation promptly.

3. If you do not have sufficient information about the product, do not sign up for it over the phone. Emphasise that you have not agreed to sign up. Instead, ask for a product brochure or make an appointment with a financial adviser to find our more.

In general:

1. Never make a hasty decision without understanding what is being recommended. Seek independent advice from trusted persons who are more knowledgeable.

2. Beware of sales persons who only promote the benefits of the product. Read the fine print and ask as many questions as you need, for example, about the risks, fees and charges.

3. Deal with your own emotions. Do you really need the product? If not, learnt to say "No" and walk away.

So, what are your rights as a customer?

If you have been sold a financial product that you did not sign up for, or the telemarketer calls you at inappropriate times or harasses you with numerous calls, you can lodge a complaint with the financial institution that the telemarketer represents.

Banks are allowed to disclose your identification and contact information to other financial institutions for purposes of cross marketing of financial products and services. If you object to this, you have the rights to ask you bank not to divulge your contact details.

TODAY, Monday, 27 November 2006

Letter by Leong Sze Hian

President, Society of Financial Service Professionals

How cold calls can be more professional, in the interest of consumers

We refer to the article “Aggressive selling Protect yourself” (Nov 25-26).

The articles states: “Banks are allowed to disclose you identification and contact information to other financial institutions for purposes of cross marketing of financial products and services.

“If you object to this, you have the right to ask the bank not to divulge your contact details.”

We recently conducted a straw poll of our members, and asked the question, “Is cold calling appropriate for the selling of financial products?” About 50 per cent of those who responded were not in favour.

We also asked the question, “What measures do you think can be introduced to make cold calling more professional, in the interest of the consumer?”

From the feedback received, we would like to suggest that the following measures be considered:

•In the opening statement to prospective consumers, the caller should start by identifying his or her financial institution and the purpose of the call.

•Seek permission from the consumer to continue the interview.

•Inform the consumer that he or she may terminate the conservation at any time, without the need to give any reason.

•Should not make calls after 8pm or before 9am.

•Must undergo training on financial advisory including ethics and cold calling procedures, before they can do any such activities.

In countries like the United States, there is a national Do Not Call registry (www.donotcall.gov), and consumers are advised that they may opt to be put on a no-call list, so that they will not be approached again by anyone from the same financial institution.

TODAY, Monday, 11 December 2006

Reply by Ong-Ang Ai Boon

Director, Association of Banks in Singapore

Telemarketers follow industry guidelines

We refer to the letter, "How cold calls can be more professionals, in the interest of consumers" (Nov 27) by Mr Leong Sze Hian, president of the Society of Financial Service Professionals.

Mr Leong had suggested some measures for banks to adopt in their telemarketing activities, such as caller identification, approved hours of calling, etc.

We wish to inform Mr Leong that for telemarketing activities, banks subscribe to the Telemarketing Guidelines for the Financial Industry, which is a code of conduct for the whole financial industry jointly developed by the Contact Centre Association of Singapore, industry associations and regulators. The code covers all the measures suggested by Mr Leong. The Telemarketing Guidelines can be found at www.ccas.org.sg.

The ABS regularly reminds its members to observe all codes and guidelines. We thank Mr Leong for his feedback.

TODAY, Friday, 1 December 2006

Letter by Leong Sze Hian

Is spending on credit really in check?

Looking at rollover balance per cardholder gives clearer picture

I refer to the report, "S'pore is region's fifth-largest credit card user" (Nov 30).

Bankruptcy petitions have dropped to a six-year low, but signs indicate that insolvency rates may go up again because the number of writ of summons – normally the precursor of bankruptcy petitions – has been rising.

The average rollover balance per credit card based on figures published by the Monetary Authority of Singapore (MAS) has been generally declining, since it peaked at $770.03 at the end of 2002.

The average rollover balance fell to an eight-year low of $533.29 this August, but climbed slightly to $5548.60 in September.

The average rollover balance per credit card may not be a very appropriate indicator of credit card indebtedness in Singapore – the reason being that the number of credit cards that people have has been growing, with more people owning multiple credit cards.

The number of primary credit cards grew from 2.5 million in 2003 to 3.74 million in September this year. The number of supplementary cards grew from 988,000 to 1.1 million over the same period.

Therefore, the total number of credit cards, obviously, the average rollover balance per credit card may appear to decline.

What is perhaps more indicative of the average level of indebtedness is the rollover credit. This has increased from $2.53 billion in 2003 to $2.66 billion this September.

Although the latter figure is lower than the 2005 rollover credit of $2.7 billion – a decrease of about 1 per cent – the year-to-date figure may be lower because of the generally seasonal effect of high billings and rollovers at the end of the year and festive season.

Perhaps a more indicative measure is the average rollover balance per credit card holder, inclusive of his or her supplementary cardholders' balances for which the main cardholders is responsible, instead of per credit card.

Using a not-so-appropriate statistical measure may lead us to complacency or draw the erroneous conclusion that things are getting better, when the converse may be the case.

TODAY, Weekend, 2~3 December 2006

Article by Mira Kashinath

Gold standard for financial planners here

Seeks to introduce proper and professional delivery of service and ethical conduct

Some 10,000 financial planners in Singapore may have to undergo more stringent training and tests to improve their service and even ethical conduct when they dispense investment advice in the future.

This comes as Singapore embraces a new international standard for professionals in this industry – the first country in the world to do so.

The standard which was published by the International Organisation for Standardisation (ISO) in December last year, is also the first of its kind here to regulate the level of professionalism and service standards of personal financial planners.

"At the moment, complaints about financial planners usually centre around the fact that investments have made losses for the clients," said Society of Financial Service Professionals president Leong Sze Hian.

"More often than not, it is because the financial planner did not practice proper asset allocation for the client, and the recommended portfolio was not diversified enough to meet the client's expectations. We hope that with the introduction of the standard and the ensuing proper guidelines for the financial planner to adopt, such scenarios will be done away with," he told TODAY.

The standard aims to address immediate industry issues of poor service delivery, incomplete disclosure and unprofessional personal financial planning practices.

The problem now, said Mr Leong, is that different banks and institutions have their own in-house standards.

One of the biggest issues that consumers face now is that if the same client sees five financial planners, he or she would get five vastly different answers even though the financial planners were presented with the same set of data.

"This is because there is no consistency in the methodology financial planners us, and this will be addressed by the standard," said Mr Leong.

Existing certification from professional bodies focuses on knowledge and its application, rather than on service standards and ethical conduct, experts said.

The ISO initiative, which is not mandatory, is driven by the National Technical Committee on Personal Financial Planning, which comprises nine members from the banking, finance and life insurance sectors. The bodies, like the Association of Banks Singapore, signed a Memorandum of Understanding on Friday to adopt and implement the ISO standard.

Some 16 other countries helped to develop the standard, which applies to financial advisers, relationship managers, stockbrokers, investment advisers, compliance officers, training managers, lawyers, wealth managers, insurance advisers and private bankers. In Singapore, four working groups were involved.

Ms Karine Kam, co-chair of the committee and executive director of the Singapore College of Insurance (SCI) said that one challenge faced by the committee involved the years of experience the financial planner seeking certification should have.

"The requirement was for three years of experience in the field but it posed a problem for countries where financial planning services were just starting out. Another challenge was the availability of accreditation and the certification infrastructure, as being certified by an independent third party is preferable to self-declaring that you are certified," she said.

In the end, the three-year requirement was upheld but not the need to be certified by an accredited body.

The need for introduction of a standard is timely, due to the growth of the financial planning industry, as well as the increased complexity and variety of investments, observed Mr Michael Seow, president of the Financial Services Managers Association and a member of the committee.

"Those born between 1945 to 1965 are considered baby boomers and will likely hit retirement by 2020," he said. "There are also more dual income families with less time to manage their finances. Both are factors which will lead to a demand for financial planning services here."

Another reason for the push is the high number of foreigners in Singapore.

"One out every four persons in Singapore is a foreigner. These foreigners seeking financial planning services here are likely to look for one that meets an internationally recognised standard," said Mr Leong.

Similarly, for local financial planners seeking to offer their services abroad, it should be easier for them to approach clients overseas, he said.

The industry associations will offer training courses modelled on the standards by the first quarter of next year: "We are still finalising details like how long the training course will be and fees, but we hope to start off from a low base as this is the first initiative," said Ms Kam.

Mr Mohd Salim, vice-president of the Association of Financial Advisers (Singapore), believes that generally it would not be a problem for most financial planners in the industry to comply with the standard.

"One of the challenges will be to convince my colleagues on the importance of getting certified, because they will be subjecting themselves to more audits and checks by the certification body (SCI) in addition to having to go through training sessions."

In the end, the introduction of a globally accepted financial planning process as a benchmark will serve as sufficient motivation for financial planners, he noted.

For now, the ball lies in the consumers' court, said Mr Leong.

He said: "It is still too early to say how fast the take up rate would be, but I believe the standard will be driven by the consumer. How important it is to them to deal with an ISO certified financial planner?"

TODAY, Tuesday, 5 December 2006

Article by Mira Kashinath

Making sure there's full disclosure

Financial institutions must tell investors full implications of switching investments

Investors are more likely to be made fully aware of the implications of switching from one investment product to another when they are buying a unit trust or life policy, but may not get full disclosure further down the line when they actually do switch out of that product.

This was a key finding of a review by the Monetary Authority of Singapore (MAS) of 23 financial institutions (FIs) from the banking, insurance and capital market sectors. The review was a follow-up to guidelines issued in October 2004 on proper controls, processes and procedures for FIs to monitor switching.

Some FIs were also guilty of providing warnings on the costs and disadvantages of switching in small print, or omit disclosures and client declarations involving switching.

The findings highlight the need for consumers to be better informed of the full implications of a switch, as not all instances of switching are harmful. Switching from one investment product to another due to a change in their risk profile, financial situation or investment objectives is generally acceptable. Improper switching occurs when financial advisory representatives advise their clients to switch solely to generate commissions, without considering the clients' best interest.

However, the issue of improper switching is not that prevalent here, according to Mr Leong Sze Hian, president of the Society of Financial Service Professionals. "I would say that less than 0.1 per cent of representatives or financial advisers are guilty of churning," he said. "It is a problem that occurs … maybe every two years or so, which clearly indicates there are representatives who are involved in improper switching."

And the review noted that some FIs did follow good practices.

Mr Shane Tregillis, deputy managing director (Market Conduct) of the MAS, said consumer to be more wary. "They need to be aware of the questions they should ask their representatives. Unless they are very knowledgeable, consumers should be very cautious in signing any forms declaring that their representative did not advise them to switch."

"We encourage FIs to continue to enhance controls to monitor and deter improper switching by their representatives. Senior management should also implement the right incentive structures to encourage their representatives to act in the best interests of their clients," he added.

TODAY, Friday, 26 January 2007

Article by Loh Chee Kong

Crazy horseplay – came too soon, leaving quite fast

Exactly 14 months ago, a beaming Ms Goh Min Yen, managing director of Eng Wah Organisation, walked into a room full of journalists to announce the "most controversial show" to hit our shores – complete with topless, leggy women whose "sisters" had kept Paris entertained for more than half a century.

"It will take entertainment to another level in Singapore and Asia," said Ms Goh before the Crazy Horse cabaret opened its doors.

She was less cheerful yesterday when she told a hastily-arranged press conference: "I'll try to be very brief and sweet: Crazy Horse Paris will be ending its run on Jan 31. I'm really sorry. I can't spend a lot of time here as I have an urgent meeting to attend. But I would be most happy to spend the next five to 10 minutes answering your questions."

And with that, Ms Goh confirmed in under a minute what the rumour mills had been churning out since the main board-listed promoter suspended its shares on Wednesday.

After the topless revue arrived at Clarke Quay, Minister Mentor Lee Kuan Yew saw it as a centre-piece to help Singapore shed its squeaky-clean image and become "the Paris of South-east Asia".

But despite drawing good crowds at first, the novelty soon wore off. The plush theatre, which could seat 450 people, was less than half full most of the time.

By September last year, Eng Wah had bled $4.5 million on the venture.

"We were expecting 65-per-cent average occupancy rate, but it has fallen below that, to less than half. We decided that maybe it was best to end its run," said Ms Goh.

Last July, End Wah introduced new acts and successfully lobbied the Media Development Authority to lower the age limit for audience members from 21 years to 18. Business picked up slightly, but it was a case of too little, too late.

Yesterday, Ms Goh was introspective. "For the first eight months, we could advertise only in the newspapers' movie listings. No images. No pictorials. Even famous brands like Prada or Louis Vuitton have to continuously advertise. Also, on hindsight, I guess we came in a bit too early. Crazy Horse is a premium product that needs time to nurture."

With eight in 10 audience members comprising high-end tourists – exactly the sort that the integrated resorts (IRs) are expected to bring – she said it was never about whether Singaporeans were ready for the show.

But the company cannot afford to hold out until the IRs is in place by 2010. It had to stem its losses to account to its shareholders, said Ms Goh.

Eng Wah now finds itself staring at the $5.7 million, two-storey shop house that it painstakingly refurbished to house a lounge, restaurant and theatre.

Meanwhile, the president of Crazy Horse Paris Philippe Lhomme said that Singapore "remains an important centre for the development of Crazy Horse Paris in Asia". He added: "But we probably arrived too soon."

And left very quickly.

TODAY, Monday, 29 January 2007

Letter by Leong Sze Hian

Crazy lessons, naked truths

Publicity restrictions contributed to revue's failure

I refer to the article. "Crazy horseplay – came too soon, leaving quite fast" (Jan 26).

Among the reasons given for the failure of the revue was that "few knew it existed, because of initial rules that prohibited advertising even at the airport" and how it could "only have black-and-white advertisements on the cinema pages of The Straits Times and Lianhe Zaobao, and coloured ones in the Business Times. It could not advertise in most of the mass media like TV, radio, bus stops or taxi stops" – although last February, it was "allowed to have leaflets in taxis, Sistic outlets and Singapore Visitor Centres".

Why is it that the show which is a Parisian icon and has drawn thousands to its Las Vegas outlet, despite charging two or three times more than Singapore's $85 per head, cannot succeed in Singapore?

Another question: What have horses got to do with food?

Well, not too long ago, it was the food-vans scheme which had started with much fanfare that failed – primarily because the Urban Redevelopment Authority decided where and when they could operate, regardless of demand or market conditions.

Now, Crazy Horse has failed, at least partly because the restrictions on advertising and publicity.

Entrepreneurs need to be able to run free like horses, and it would be crazy for Government agencies to arbitrarily decide on all kinds of restrictions. This lesson should be learned.

The significance of the Crazy Horse saga is that it is not just another business failure, but (hopefully) a wake-up call to those who regulate businesses.

Perhaps in the annals of Singapore's yet-to-be-written history, the Crazy Horse failure will be a milestone in Singapore's coming to terms with a truly entrepreneurial culture and spirit.

TODAY, Monday, 29 January 2007

Letter by Mohamad Rosle Ahmad

Raunchiness does not suit Singapore's 'safe' image

In 1995, despite having the best minds in the advertising industry working on creating, naming and promoting New Coke, Coca Cola's attempt to be innovative and fresh failed.

Ditto the efforts by Xerox to be designer and manufacturer of computers and IBM's venture into copier business.

In his book, The Corporate Communications Bible, author Robert Dilenschneider, attributed those failures to this: It wasn't what people expected from the companies and thus, it wasn't perceived to be as good as the competition.

So, it should not entirely surprise anyone that the "most controversial show" ever to hit sedated Singapore had to call it quits after 14 months.

Like it or not, Singapore's global brand and image is that of safety, efficiency, transparency and incorruptibility. Topless and leggy women dancing were never part of the configuration.

So, while the official efforts to try and transform the country into the "Paris of South-east Asia" is laudable in principle, its achievability, however, is more daunting than many have yet to realise.

If the Crazy Horse experience is any indication of the likely outcome of Singapore's efforts in trying to break from its squeaky clean image, then is there reason to be concerned about the soon-to-be-built Integrated Resorts-cum casino projects?

It's like what some brand experts have been saying lately: Sometimes, it takes courage not to change.

TODAY, Tuesday, 30 January 2007

Reply by Alvin Hoon

Crazy Horse misses mark

Government not to blame for demise of the show

I write in response to Leong Sze Hian's letter, "Publicity restrictions contributed to revue's failure" (Jan 29).

The writer has adopted the view that arbitrary restrictions imposed by government agencies seem to inhibit the success of businesses. Such a view betrays the commonly-held Singaporean attitude of "blame it on the Government".

On the contrary, one should apportion equal blame to the businesses themselves for not being able to evolve or adapt to market realities and conditions.

The Urban Redevelopment Authority (URA) has thus far done a fair job in ensuring availability of parking lots while balancing cost. With growing demand for parking, it would not be viable to have vendors plying their trade in these high traffic areas at all times.

The inability of the food-vans to sustain their profitability points not to a fault with the URA policies, but rather the lack of a "killer" breakfast product that would have office workers clamouring for more during the morning hours of operation of the food-vans.

The same applies to Crazy Horse. I am sure their management went into the venture with eyes wide open, knowing full well of the restrictions on advertising and all. Granted, the government agencies could have been more flexible in this. But the point is, there was no "killer product", as evidenced for the lace of audience numbers.

Rather than marking any monumental change or milestone, I believe the passing of Crazy Horse and food vans are just two of many more experiments to come in the process of remaking Singapore.

I look forward to the next experiment, successful or not.

TODAY, Tuesday, 30 January 2007

Reply by Pok Lirong

Show did not try to attract locals

I agree with Mr Leong Sze Hian that the lack of publicity restrictions contributed to the failure of Crazy Horse.

At the same time, I also think that there is little resonance with the tourists who come to Singapore. They usually do not come here for the nightlife as the nightlife in their own countries must be much more exciting and vibrant.

Thus, the leverage on the local market is still important.

But the lack of advertisement in the mass media means Singaporeans would not be aware of the show – and for those who are, they do not always remember it since they are not constantly exposed to prominent advertising on it. Even at Clarke Quay, where it is located, there are no ads anywhere in the vicinity.

But if the people behind Crazy Horse had forged alliances with other lifestyle businesses instead of positioning itself as a tourist attraction, it may have lasted longer. There were also hardly any promotions to attract an audience.

For Crazy Horse, it's now too late to do anything. But it certainly serves as an important lesson to all who want to bring in new attractions to Singapore.

TODAY, Wednesday, 28 February 2007

Article by Christie Loh

Temasek's Thai woes deepen

Temasek Holdings' multi-million-dollar bet in Thailand shows few signs of paying off.

One year after it forked out top dollar for Shim Corp, the Thai conglomerate's profit has plunged to a five year low on top of its lacklustre share price. Unfortunately, a recovery may take some time, analysts say.

In a widely-anticipated announcement yesterday, Shin Corp said that its net profit for the year ended Dec 31 was more than halved to 3.4 billion baht ($0.15 billion) from the previous year's 8.6 billion baht. A key culprit was its mobile phone operating subsidiary, Advanced Info Service (AIS), which accounts for the bulk of group earnings, said Bangkok-based Syrus Securities' vice president of research Jitra Amornthum. No thanks to an on-going price war in the mobile phone market, AIS's bottom line has been eroded. She added that Shin's satellite unit had not enjoyed high growth either.

“the operational troubles started before Temasek came in,” Ms Amornthum told TODAY. “The seller exited at the right time and at a very good price.”

Between January and March last year, the Singapore investment firm led a consortium including Thai businessmen to buy more than 96 per cent of Shin for 143.12 billion baht from then Prime Minister Thaksin Shinawatra’s family. Since then, Shin’s share price has slipped about 42 per cent below the purchase price of 49.25 baht per share, while the junta ousted Mr Shinawatra last September and has been calling for the return of Shin into local hands.

To worsen matters, the military run government yesterday threatened to revoke the license of Shin’s iTV if the company failed to pay back 100 billion baht in fines and fees by March 6.

TODAY, Weekend, 3~4 March 2007

Article by AP

iTV to be operated by Thai govt firm

The Thai government will transfer the operations of television network iTV, the country’s only TV broadcaster not owned by state agencies, to a government media company after it revokes its broadcasting license next week, an official said.

iTV, which stands for Independent TV, has said earlier this week that it will not be able to pay the nearly 100 billion baht ($4.5 billion) in fines, unpaid fees and interest that the government has demanded by Tuesday.

The government said iTV’s broadcasting concession will be revoked if the company fails to pay by next week.

Mr Chulayuth Hirunyavasit permanent secretary of the Prime Minister’s Office, which granted the license to iTV, said on Thursday that the government will hire MCOT PCL to manage iTV and share 10 per cent of its profit.

MCOT’s businesses include running television Channel 9 and the state Thai News Agency, as well as radio broadcasting.

A court ruled last year that changes made by an arbitrator to the terms and conditions of iTV concession contract with the government were illegal, prompting the Prime Minister’s Office, which granted the concession, to demand the fines, unpaid fees and interest. The station lost its final appeal in December.

The arbitrator's changes had been made under Prime Minister Thaksin Shinawatra, who was ousted in a coup last September. iTV's majority owner is Shin Corp, Mr Thaksin's former telecommunications empire, which was sold to Singapore's Temasek Holdings last year.

Mr Chulayuth said MCOT will be responsible for the operating expenses of iTV, which amount to around 100 million baht a month.

TODAY, Thursday, 8 March 2007

Letter by Leong Sze Hian

Alliances may be safer bets

So, why do GLCs choose to acquire foreign assets?

I refer to the articles, "iTV to be operated by Thai govt firm" (March 3) and "Temasek's Thai woes deepen" (Feb 28).

Nominated Member of Parliament Eunice Olsen raised a question in Parliament on the role of Temasek Holdings and asked if it could be more forthcoming in explaining its investment decisions and sharing its assessment.

As I read in the media about the unfolding saga of problems that our Government-Linked Companies (GLCs) are having with large-scale acquisitions in Thailand, Indonesia, Australia, and with countries such as Hong Kong and China in the past, I am compelled to ask searching questions, with the view that we must learn from the past in order to move forward into the future.

According to Professors Jeffrey H Dyer of Brigham Young University, Prashant Kale of the University of Michigan and Habir Singh of the Wharton School University of Pennsylvania, in Harvard Business Review (July-August 2004): "Alliances and acquisitions are alternative strategies – that is, the decision to do one usually implies not doing the other. If companies actually factored that into their decisions, they would make better deals."

This begs the question of what were the internal decision making processes that our GLCs went through in deciding on acquisitions, instead of alliances, in the various countries concerned.

"Most acquisitions … fail. A few may succeed, but acquisitions, on average, either destroy or don't add shareholder value," the professors wrote.

Our experience in Thailand is a case in point. “Acquisition deals are competitive and risky … Companies should consider exogenous factors like market uncertainty”, and culture. Will it gain or lose the widespread acceptance of consumers, particularly in acquiring a major national asset of a foreign country?

According to Rita Gunther McGrath and Ian C MacMillan in Harvard Business Review (July-August 1995): “Business lore is full of stories about smart companies that incur huge losses when they enter unknown territory … new markets … By definition, new ventures call for a company to envision what is unknown, uncertain, and not yet obvious to the competition.”

What management decision-making processes or other tools such as scenario planning, reverse income statement, pro forma operations specs, assumptions checklist, milestone planning, and so on, did the GLC use?

Was “a keeper of the assumptions – someone whose formal task is to ensure that assumptions are checked and updated as each milestone is reached and that the revised assumptions are incorporated into successive iterations” designated?

How skilled are the GLCs in peripheral vision? Otherwise, we may end up being precisely wrong, rather than being about right.

A crucial question we may need to ask is whether the GLCs’ present organisational capacity for strategic vision is more or less than their future needs? What risk-management techniques were used to weigh known, unknown and unknowable risks?

I write my comments and questions with the caveat that I know very little about the inner workings of the GLCs, because some, as private exempt companies, may not have much of their internal processes available as public information.

TODAY, Wednesday, 17 October 2007

Article by Jasmine Yin

Massive fire guts Ang Mo Kio wet market, hawker centre

When patrons heard the shouting, they thought that a fight had erupted at the other end of the hawker centre in Ang Mo Kio. It turned out that a big fire had broken out – one that would raze the entire wet market and food centre at Block 628A, Ang Mo Kio St 61.

Witnesses told TODAY that the fire started at about 9pm. The area was still crowded then, with some 100 people.

One hawker, Mr Alvin Teo, said he saw his cooked food stall, which he had operated for the past 26 years, destroyed by the fire within minutes. The owner was having a drink with his friends at the hawker centre when the fire broke out.

A crestfallen Mr Teo, 47, said: "When I saw the fire, I wanted to run in to put it out but the fire spread too fast, I feel very heartbroken. The stall was like my second home."

The cause of the fire remained unknown and no casualties were reported at press time. A police officer was heard telling some residents living on the lower floors next to the hawker centre that it was safe for them to return to their homes.

TODAY, Monday, 22 October 2007

Letter by Leong Sze Hian

A double whammy

Should affected stallholders cough up money after tragedy?

The wet market and food centre at Block 628A, Ang Mo Kio Street 61, was destroyed in a fire on Oct 16 and the affected stallholders are now being asked to pay an estimated $8,000 to $10,000 to build a temporary market.

With 232 stalls, the total sum, assuming an average of $9,000, is $2.1 million. Why does it cost so much to build a temporary market that would be demolished after 18 to 24 months?

If condominiums insure their buildings for fire, why don't the town councils of the Housing and Development Board insure the markets?

As most of the stallholders are tenants, they may not have the interest to insure the building (stalls) that they rent.

Shouldn't this be the responsibility of the market owner?

Why not use some of the town council's sinking fund to help defray the building cost of the temporary market? With almost a third of the service and conservancy charges going into their sinking funds, why not use some of it to buy fire insurance for these markets?

This is not the first time a market has caught fire. Why have we not learnt the lessons from these market fires in the past?

It is difficult enough for the small stallholders to have lost all their business assets and endure months without income until the temporary market is ready.

Isn't it akin to a double catastrophe to have to decide and cough up another $8,000 to $10,000?

Some of the stallholders interviewed have expressed their despair and predicament in this regard.

TODAY, Tuesday, 10 April 2007

Article by Lee U-Wen

Climbing the salary scale a step at a time

Hikes for ministers will be in 3 phases; Cabinet's monthly pay rise averages 25 per cent

Due to the large gap between the private sector benchmark and their actual pay, the ministers' increase in salaries will be implemented in three phases, rather than in one go as many had expected.

The annual entry-level salary for ministers, or the MR4 grade, will increase from the current $1.2 million – which is 55 per cent of the current private sector benchmark of $2.2 million – to $1.6 million, or 73 per cent, from this month.

This will inch upwards, by the year's end, to 77 per cent of the benchmark at that point of time. The goal by end-2008 is 88 per cent of the benchmark (see graphic).

As he delivered the closely-watched numbers in Parliament yesterday, Defence Minister Teo Chee Hean, who is also minister in-charge of the civil service, said it was "not realistic" to completely close this gap in one go.

On the whole, the average monthly pay rise for the Cabinet will be 25 per cent. The range is from 33 per cent – for junior ministers and senior permanent secretaries at the MR4 grade – to 14 per cent at the higher grades, such as those of the Prime Minister and Deputy Prime Ministers.

The private sector benchmark, to which the ministers; salaries are pegged, now stands at two-thirds of the median income of the top 48 earners across six professions.

The revisions, said Mr Teo, will be implemented by adjusting both the monthly salary and annual components, such as allowances and performance bonuses.

The method by which the pay packet is calculated will also be changed to focus more on performance. Said Mr Teo: "We will restructure the pay to remove components which are no longer relevant and to build up performance-linked components."

For one, ministers will enjoy higher GDP bonuses – but only if the economy is doing well. If it grows by 5 per cent, they will receive a three-month bonus. If GDP growth soars to 10 per cent or higher, they can expect to pocket up to eight months' bonus.

However, if the GDP growth is 2 per cent or less, they will not get any bonus.

On the individual performance bonus, Mr Teo said, in line with the Government's philosophy of paying for performance, the norm will go up to seven months' bonus, from five months' currently.

The revisions means that "close to half (47 per cent) of the annual package of MR4 grades and above will be variable, compared to about one-third today".

"Twenty per cent of (the ministers') salaries will be predicated on the GDP bonus. Another quarter is performance dependent," Mr Teo said.

The car allowance for all appointment holders, currently equivalent to 2.5 months of the officer's salary will also be scrapped as a result of revisions to the bonus system.

As the car allowance is "already counted into the annual salary package of these officers", it does not change the total package but "restructures it to be more performance-based", Mr Teo said.

Previously, the President, Prime Minister and Speaker of Parliament did not have the car allowance factored into their pay as they were each provided with an official car. With the changes, each will see their total salary increase by 25 per cent.

The President and Prime Minister, along with Judiciary and Statutory Appointment Holders, will also see their service bonus – in lieu of a performance bonus – increase from five to seven months.

According to new figures released by the Public Service Division yesterday, Prime Minister Lee Hsien Loong will now earn nearly $3.1 million a year, making him the 102nd highest earner across all professions in Singapore.

The President remains the highest-paid officer in the Government with a new pay package of $3.19 million. Senior Minister Goh Chok Tong and Minister Mentor Lee Kuan Yew will now be paid $3.04 million each. – With additional reporting by Jasmine Yin

TODAY, Weekend, 22~23 December 2007

Letter by Leong Sze Hian

A question on remuneration

Including bonus, is minister's pay above the 77% of private sector benchmark?

I refer to media reports on ministers and top civil servants getting the second of their three-phase pay rise, approved by Parliament in April.

They say that "Singapore ministers and top civil servants will start the New Year with a second round of pay increase, ranging from 4 per cent to 21 per cent. Under the revised salary package announced by the Public Service Division …, ministers at the starting grade will take home $1.94 million next year – an increase of 21 per cent over this year's $1.6 million. MPs and administrative officers – the elite of the civil service – will see their salaries going up by around 4 per cent".

Since the increase for civil servants range from 4 to 21 per cent, why is it that ministers who are already paid the most are also getting the highest pay increase in both percentage and quantum terms?

Minister in charge of the Civil Service Teo Chee Hean said that "actual pay would still be tied to performance".

He added: "This includes individual performance and how the economy does.

"We are careful to link rewards closely to performance. We have increased the proportion of annual salary that is variable. At the senior levels as much as 50 per cent of the annual salary is now performance-based.

"This change is good news for political, judicial and statutory appointment-holders, as well as the 230-strong elite Administrative service. Their pay increases will come in the form of a higher monthly salary and a fatter performance bonus.

"For instance, Ministers at the entry grade of MR4 will get an average of nine months performance bonus, on top of the GDP bonus, which can fall between three and eight months, depending on economic growth".

I would like to ask, including the "average of nine months performance-based bonuses" and "GDP bonus which can fall between three and eight months", what is the total average pay of ministers? If these are included, have they reached or exceeded the 77 per cent of the private sector benchmark, to which their pay is pegged?

TODAY, Wednesday, 26 December 2007

Reply by Goh Soon Poh

Deputy Secretary (Policy)

Public Service Division

Prime Minister's Office

Public sector's benchmark pay includes all bonuses

I refer to "A question on remuneration" by Mr Leong Sze Hian (Weekend TODAY, Dec 22-23).

Mr Leong asked why ministers received a higher percentage wage increase compared to those in the lower grades.

Salaries in the Public Service are pegged to private sector benchmarks. Adjustment will vary depending on how the salaries compare with their private sector benchmarks at that point in time. As the gap between current salaries and the benchmark was larger at the minister's grade, a larger adjustment was required to approach the benchmark.

Mr Leong also asked whether, with the bonuses, the pay for ministers would exceed 77 per cent of the benchmark.

The total annual pay for ministers includes all bonuses, such as the 13th month payment, the average performance bonus and the GDP bonus. In the latest revision, we have also included the imputed value of the pension.

With all these components included, the salary for ministers at the MR4 grade will reach 77 per cent of the benchmark. The benchmark is itself two-thirds of the median of private sector salaries pegged against.

In his letter Mr Leong has erroneously attributed several quotes to the Minister in charge of the Civil Service, Mr Teo Chee Hean. For an accurate account of what Mr Teo said, readers can refer to reports in the media carried on Dec 13 and 14, or the Public Service Division website at www.psd.gov.sg.

TODAY, Wednesday, 30 January 2008

Related article by Teo XuanWei

3 out of 4 opt for the V-bonus

The Government's decision to raise the draw-down age to 65 for the Central Provident Fund's (CPF) Minimum Sum drew a chorus of opposing voices when it was announced last August, but some 75 per cent of those eligible for monthly CPF pay-outs have now agreed to defer receiving the disbursements.

Of the 10,100 workers the CPF Board had contacted so far, three out of four opted for the V-bonus – annual bonus awarded for each year that they defer withdrawing funds from their Retirement Account (RA) after they hit 62, he gets $600. That means the maximum one can get is $1,800, for three years' of deferment.

The bonus scheme, which was introduced to spur workers to keep their funds in their retirement kitty until they are older, appears to have achieved its aim: About 44 per cent of some 2,400 who have started collecting pay-outs have also chosen to suspend the monthly withdrawals.

The positive response to the V-bonus is "surprising", said Society of Financial Service Professionals president Leong Sze Hian. These workers could have decided to hold out on tapping their RA because of the buoyant economic climate.

The CPF Board will send out another 105,000 letters to those aged between 56 and 58 this week to encourage them to top up their RA to $30,000 by February. Workers in this age group stand to gain a maximum one-time D-bonus of $1,500 for deferring their draw-down age to 65.

Meanwhile, the total number of funds under the CPF Investment Scheme (CPFIS) dropped to 387 from a high of 444 at the end of 2006, as the CPF Board sought to raise the quality of these funds. Among other criteria, a fund has to belong to the top quartile in its global peer group to be admitted under the CPFIS.

Despite imposing tough new criteria, like capping a fund's expense ratio to a cap of 1.95 per cent and the sales charge to a maximum of three per cent, the number of List A Funds – those that have met all the criteria set out – have soared to 46 now from four at the end of 2006.

TODAY, Weekend, 15~16 December 2007

Article by Nazry Bahrawi

NKF: $1.4m more, despite drop in donations

Strong market keeps foundation's income at healthy levels

Luck has been with new National Kidney Foundation on one front since January last year. The bullish investment market has kept the charity's income at healthy levels.

However, if it has not taken much to ride the bulls, NKF chairman Gerard Ee avers that a lot of work has certainly gone into restructuring the charity to tame its costs.

This one-two combination of higher investment income and lower costs has been needed to overcome falling donations, according to NFK's annual report out on Friday – its first since a KPMG report two years ago exposed the excesses under former chief executive T T Durai.

Between January last year and this June, donations to Singapore's largest charity, annualised to a 12-month period, amounted to $18.3 million less than in all of 2005.

Still, NKF managed to net an annualised surplus of about $1.4 million more than in 2005, with its new set-up and the soaring market.

On the latter, Mr Ee told TODAY: "Almost everyone who went into equity and bond investments did well, even private individuals. Because the equity market was so good, we rode on it and realised this huge return on investment."

The charity made $14.8 million from investments on an annualised basis, about 75 per cent more than in the previous financial year (see table).

Meanwhile, the new NKF Board went about cutting cost, for example, by closing its production studio and buying greeting cards instead of making its own like it did in the past, said Mr Ee. Miscellaneous costs fell from $590,000 to $60,000.

Most significantly, from three sub-committees under Mr Durai, the board appointed 10 sub-committees to enhance corporate governance – with that cost tumbled. For instance, recommendations on manpower needs by the Remuneration committee, such as new wage structures for clinical and non-clinical employees, resulted in cost savings of almost $5 million per year, said Mr Ee.

Explaining the decision to have more sub-committees, he said: "We want to make sure that for every aspect there is accountability."

While in the past there were just the Audit, Investment and Finance committees, the Board introduced committees for IT, Tender, Volunteer, Medical Advisory, Patient Appeal and Research, as well as Remuneration.

Charting the NKF's progress in corporate governance with the new sub-committees, which submit the minutes of their meetings to the board, Mr Ee listed more measures, such as how the Audit committee engages an external auditor to conduct checks.

TODAY, Weekend, 29~30 December 2007

Letter by Leong Sze Hian

Pooling finances, maximising profits

Common fund management may secure better rates of return

I refer to the reports "Donations trickling in" (Dec 21) and "NKF: $1.4m more, despite drop in donations" (Weekend TODAY, Dec 15-16), as well as other media reports noting that charities earned nearly $5 billion in 2005.

Of the 12 charities that closed last year, how many did so because they ran out of funds? And when charities close, what happens to their needy recipients?

With 64 large charities having annual incomes which exceed $10 million – accounting for three quarters of the total figure – are there any statistics to indicate how many of the other 1,811 charities – representing 97 per cent of all charities – are experiencing difficulties funding their activities?

With charities earning a total of $4.97 billion, I would like to suggest that the sector explore the possibility of pooling its finances for better and more prudent fund management.

For example, a 1-per-cent increase in returns may provide an additional $49.7 million a year to help need Singaporeans.

According to the National Kidney Foundation (NKF), it had an investment income of $22.3 million in the last 18 months and a surplus of $31.2 million.

With reserves of about $270 million, I estimate that its annualised rate of return (investment income) over the last 18 months was about 6 per cent.

If the total of $5 billion in the charity sector can earn a similar rate of return as NKF, the investment gains for a year may be as much as $300 million.

I understand that this amount is more than seven times what the Community Chest receives in public donations in a year.

If Town Councils were recently given guidelines on how to manage their funds, why not have similar guidelines for charities, too?

TODAY, Friday, 22 February 2008

Article by Cheow Xin Yi

Banks must protect their customers: MAS

Guidelines spell out how job doesn't end with product sale

The Monetary Authority of Singapore (MAS) wants banks and other financial institutions in Singapore to assume greater responsibility in protecting the consumers who buy investment products from them.

Outlining the proposed guidelines in a 28-page consultation paper released yesterday, the regulator articulated five outcomes in "fair dealing" when financial institutions conduct businesses with consumers, including recommendations on how to achieve them.

Key among these is the emphasis on the board and senior management of financial institutions to develop and sustain a "culture of fair dealing throughout their business".

It also expects the board and senior management to review their business operations regularly and identify gaps in such areas.

"From its supervisory work and interaction with the financial advisory industry, the MAS has observed that the industry has shown progress in improving policies, systems and controls … There is, however, room for improvement as the industry continues to receive a steady flow of consumer complaints," the MAS said yesterday.

The Financial Industry Disputes Resolution Centre received 531 complaints and 1,146 inquiries from July 2006 to June last year, up from 493 complaints and more than double the 538 inquiries received in the year before.

Most of the complaints were made against banks and life insurers and were related to improper market conduct, such as alleged to inappropriate advice, misrepresentation and disclosure issues.

Banks, insurance companies and their corresponding financial advisors are currently regulated under the Financial Advisors Act enacted in 2002. The proposed guidelines complement the legislation, rather than override it, it added.

Securities Investors Association of Singapore president David Gerald lauded the move, noting that "many of the vendors or their sales representatives do not understand the exact needs of the consumers but rather are satisfied so long as a sale is secured."

Society of Financial Service Professionals president Leong Sze Hian thinks the most desirable outcome any consumer would ask for would be making positive returns on their investments. Institutions could, for a start, provide statistics on the number of clients who have made money with them or the performance of their clients' portfolio.

"Right now, most institutions do not even have such facilities for consumers to access such information online, which is quite common in developed countries," he said.

The MAS invites feedback on the proposed guidelines, which can be found on its website www.was.gov.sg, by May 21.

TODAY, Thursday, 18 September 2008

Article by Cheow Xin Yi

Advisers show how to play it safe

Mr Warren Buffett's phone is probably ringing non-stop. If you're cash-rich and a long-term value investor such as the billionaire "Oracle of Omaha", financial advisers says distressing times like this could be great for snapping up bargains.

"The pre-requisite is you need planning, a five-to-10-year time frame and an investment objective," said Frontier Wealth Management director Mark Yang. "Compared to those who invested 12 months ago, you may have lower downside risks if you invest now."

For those who dare buy US stocks, Mr Ernest Low, head of fund analytics at private wealth management firm Provident, advises hedging your bets by investing in broad index funds that track entire indices, such as the Standard & Poor's 500.

While Wall Street may not yet have bottomed, Mr Low said that downside risks of investing in US markets are now lower than for Europe.

"The US was the first to fall, whereas it's just starting to happen in Europe," he said, "Already, property prices have fallen more than 20 to 30 per cent in Spain, European banks may be affected, so I would be careful about going to Europe at this point."

Given recent market volatility, how might we know for sure when global market sentiment has turned?

Mr Leong Sze Hian, president of the Society of Financial Service Professionals, has this tip. Watch out for when the MSCI World Equities Index rebounds by 4 per cent and stays there for at least one or two months. Sadly, he doesn't think that tipping, point will come until year-end at the earliest.

In the meantime, he suggests perhaps investing in Singapore money market funds due to their safe but liquid nature.

A September survey of fund managers by Merrill Lynch showed risk aversion at an all-time high, with 61 per cent of respondents foreseeing a recession in the next 12 months. In fact, the survey found investors to be overweight bonds for the first time in over a decade.

To Mr Brain Goh – who is senior vice-president at ipac financial planning – inflation rather than market volatility is still the "biggest risk" to Singapore investors' hard-earned money.

TODAY, Friday, 19 September 2008

Article by Kelvin Chow, Cheow Xin Yi and Marissa Chew

Firms close ranks

Unit trusts managers with exposure to Lehman debt work to exit holdings

It's business as usual, Singapore's insurance industry wants to make clear. The insurance companies were yesterday closing ranks and trying to reassure customers of AIA, the Singapore life insurance arm of the troubled US insurer AIG. Other big insurance companies wanted to allay any possible concerns about their own health, too.

The Life Insurance Association of Singapore (LIA), the industry's trade body, said: "AIA policyholders in Singapore have no cause for concern with regards to their policies."

It advised AIA customers to avoid cashing in their policies based on "unfounded fears regarding the financial health of its US-based parent company, American International Group."

The LIA also warned rival companies against targeting AIA policyholders and advising them to surrender or replace their policies. Mr M P Sellvem, president of Insurance and Financial Practitioners Association of Singapore, said: "It is not beneficial for policy owners to terminate their policy prematurely. A life insurance policy is a long term contract and the bulk of returns will only come towards the maturity of the policy, and it is not to the advantage of policy owners for they might not get back the same amount of money they have placed in.

"I think the public should remain calm and monitor the situation. Based on the assurance from the MAS (Monetary Authority of Singapore), the situation does not warrant any fear or panic."

Healthy positions

Meanwhile, Great Eastern Holdings, which owns Great Eastern Life and Overseas Assurance Corporation, said both subsidiaries have capital adequacy ratio of over 250 per cent, way above the regulatory minimum of 120 per cent.

"We have more than enough capital and financial resources to honour all our obligations to policyholders at all times," it said.

NTUC Income said it was financially sound despite the turmoil. "To date, our sales have remained consistent and positive," it said.

Aside from assuring customers about its financial health, Prudential also said the exposure of its assets under management to stocks of Lehman, Merrill Lynch and AIG is insignificant. Lehman Brothers filed for bankruptcy on Sunday while Merrill was scooped up by the Bank of America.

In Singapore, UOB Asset Management (UOBAM) said three of its protected funds had large positions in Lehman debt. They are the Singapore dollar- and US dollar-denominated versions of United Capital Protected Funds-Series 3 and the Singapore dollar-denominated United Multi-Strategy Funds-DiverisGrowth.

A UOBAM spokesman said it would seek to sell the credit-linked notes, which it used to provide the capital protection for the funds, before the maturity date.

If it manages to do so, "unit holders can expect to receive their maturity proceeds, according to the realisation clause as stated in the respective funds' prospectus", the spokesman said, adding that UOBAM was writing to its investors to update them.

Under review

DBS Asset Management, whose Shenton Income and Dynamic Bond Funds list Lehman debt among their top-ten holdings as at the end of July, said it has not seen any significant increase" in redemption.

Still, the firm is reviewing the Lehman positions with the view to reduce exposures. "We ensure that our funds are liquid by maintaining strong cash positions," said DBS AM.

For investors in bond funds concerned about their exposure to Lehman debt, Ms Mah Ching Cheng, research manager of Fundsupermart, advised: "Singapore investors should not worry too much because bond funds are still mostly quite diversified, with most of them having less than 2 per cent exposure to Lehman Brothers."

She said there is no point dumping those funds as the net worth would have already gone down after the announcement of the bank's bankruptcy. "Bond funds definitely still are less risky than equity funds. Lehman's equity holders would stand at the back of the queue if they wish to claim any value back."

Trust in trustee

There is also no cause for panic if you happen to hold unit trusts managed by the asset management arm of AIG – AIG Global Investment Corporation (Singapore). Under the Securities and Futures Act, a trustee holds unit holders' fund assets separately. In AIG's case, the trustee is Citigroup Trustee (Singapore). "People may draw a parallel between funds of AIG's asset management arm and the insurance house's financial position, but based on what we gather from the prospectus, the funds themselves are not directly related to the assets of the affected company," said Ms Mah.

But investors in the DBS High Notes 5 may have to brace themselves for the worst. Some of them have reportedly received calls from their relationship managers warning that their investments may come unstuck.

DBS previously said that the notes have been called for redemption and investors may not get back their entire principal amount invested "in the worst case scenario".

TODAY, Friday, 26 September 2008

Article by Cheow Xin Yi

When trust goes out the window

I t is time to relook the way investments are bought and sold: Financial experts

For three days in a row, press announcements from the Monetary Authority of Singapore have been streaming into newsroom mailboxes – each one seemingly more anxious to contain the groundswell of frustration as people's investments have turned sour with the collapse of Wall Street investment bank Lehman Brothers.

But if the increasing numbers of angry and anxious calls is any indication, the reassurances – including measures to help afflicted investors seek a fair resolution from financial institutions that sold them the products – seem not to have worked with everyone.

Amid the high-running emotions, finger-pointing and confusion over "what's next for my money," one trend seems to have emerged – loss of confidence by many local retail investors with the very organisations they once willingly trusted with their money.

Most of these investors now say the financial institutions "mis-sold" them various products, using market terms such as "safe" or "principal guaranteed" before getting them to sign on the dotted line, when the products were in fact complex derivative investments.

"Sometimes it's not so much the money, it's the trust in these financial institutions that is broken and that is what irritated many people," said one investor in Lehman Mini-bond

Series 3, a retiree who declined to be named. "Now who will want to invest with banks? I wouldn't do it even if you pay me now."

Financial experts TODAY spoke to say the recent worries may act as a wake-up call for investors and financial institutions alike.

"The principle of caveat emptor (buyer beware) should always apply. The basic rule of any financial investment is always: 'don't invest in what you do not understand', no matter how much the seller sweet-talks you – unless they can commit in writing," said Professor Ho Yew Kee, vice-dean of National University of Singapore Business School.

Investors must also never assume that a financial product has been sieved through for possible risks by the banks, especially those carried as "third party" products, said Prof Annie Koh, dean of office of executive & professional education at Singapore Management University.

"They must learn to be more sophisticated and ask questions. If they are not equipped, then we should do more public education, which requires public and the private sector or even the academics."

Still, the Lehman saga has revealed a major flaw in operation of financial institutions. In particular, the way their advisers are compensated and incentivised.

"There's a joke in town that you can't buy products from financial advisers at the end of the month, quarter or the year, because they have quotas for different types of products," said Mr Leong Sze Hian, president of Society of Financial Service Professionals.

"So if they are short of quota for one, no matter what you need or don't want, they'll sell that one to you for that particular period."

To improve the system, Mr Leong said that banks should follow practices from the insurance industry where agents are commissioned on a yearly basis – based on how much they sell, rather than on what they sell.

There should be a more straightforward system where financial advisers are paid a fee upfront for advice, negating the need to push products – even though investors usually do not like paying for advice, said Prof Koh.

Prof Ho said the authorities need to remember that not all investors are sophisticated, and they may "have a lot to do" in ensuring that the "papas and mamas", who need protection must, are not taken for a ride.

Still, any degree of control by the regulator must be balanced by Singapore's requirements as a financial centre.

"If you ask me, there's very little the Government can do to step in, because it will be a moral hazard – it cannot be a saviour of everybody's investment errors," said Prof Koh.

"Controlling also means you curb entrepreneurship, and you end up being fossilised by fear," she said. But still, there is a widespread loss in confidence about financial institutions, and this will take time to restore.

TODAY, Friday, 3 October 2008

Article by Cheow Xin Yi

3 look into complaints and ensure fair play

Following trouble with various complicated – and disastrous – investments with links to US banks in difficulties, the Monetary Authority of Singapore yesterday announced that it would review the regulations for the selling of these "structured products".

The regulator also named the three well-respected people selected to act as independent overseers of the complaints-handling processes at the financial institutions which sold such products to investors.

They are former partner of the Ernst & Young accountancy firm Gerard Ed, former MAS Insurance Commissioner Law Song Keng and former Deputy Speaker of Parliament Hwang Soo Jin.

Some investors have claimed that financial institutions "mis-sold" the complicated investments.

Buyers questioned why the complex derivative instruments were even sold on the retail market in the first place, especially to investors such as risk-averse retirees.

"We understand the high level of anxiety that investors in some structured products are feeling.

"Our immediate focus is on helping investors to get a quick and fair resolution of their complaints," said MAS managing director Heng Swee Keat.

"While our current regulatory regime is basically sound, MAS will undertake a review of the sale of certain types of financial products."

MAS said the review will take into consideration findings from the complaints processes and international developments.

Changes may include "stronger suitability requirements" for certain types of products, and clearer product labelling and risk rating, although the practice of linking financial adviser remuneration to product sales targets was not highlighted.

MAS also noted the need for "simpler descriptions of the features and risks of products". No timeline was given for the review.

President of Society of Financial Service Professionals Leong Sze Hian called the review "positive", saying it went a step further than previous measures.

A Question of Independence

The three reviewers for the complaint handling process are indeed well respected figures, known for their sound judgment, but some investors, like Mr Paul Yang, still say that the way they were appointed could hinder their independence – something the reviewers firmly deny.

Asked about remuneration, OCBC Securities, DBS and Maybank confirmed with TODAY that they will be paying the fees of their independent reviewers, while DMG & Partners Securities and ABN Amro declined comment.

The reviewer for DBS, Mr Gerard Ee, who said MAS left the independent parties to negotiate their fees, begged to differ.

He likened the arrangement to the appointment of external auditors by companies. "We understand the situation and we are not going out to charge very high fees," he said.

"We are very mindful of this question of whether we'll be influenced or not and really, it's an insult for anyone to think that we could be so easily influenced by what we are going to be paid."

Calling the appointment a "partial national service," Mr Ee said the public should also be assured that the MAS has vetted the suitability of the candidates.

TODAY, Monday, 6 October 2008

Article by Neo Chai Chin

Grey skies ahead

Expect slowdown over several quarters, more job losses: Finance Minister

Singapore will suffer an economic slowdown lasting "several quarters" and unemployment is expected to rise, Finance Minister Tharman Shanmugaratnam warned yesterday at a dialogue with community leaders and residents in Toa Payoh East.

What had begun as a financial crisis in the United States last year has now spiralled into a global economic crisis to which Singapore is exposed, even after the United States government approved a US$700-billion ($1-trillion) rescue package to bail out America's banks and financial institutions, he noted.

Responding to a resident who had sought his thoughts on the bailout, Mr Shanmugaratnam said that while it was a step forward that the US Congress supported the plan, "I think the consensus is the more will have to be done".

The real problem facing the US financial system is the shortage of capital in the banks there because the value of their assets has been sharply eroded, he said. America's next President and his team will have to work out a "comprehensive" solution to its financial problems, he added.

The year ahead will be "difficult" and "things will get worse before they get better", Mr Shanmugaratnam warned.

The Ministry of Trade and Industry will announce preliminary estimates for third-quarter gross domestic product this Friday, and the Monetary Authority of Singapore (MAS) may also announce a monetary policy update then, said Mr Shanmugaratnam, who is also a board member of the MAS.

Despite the grey skies, there are bright spots on the horizon, the minister said. Singapore's diversified economy will enjoy continued growth in sectors such as offshore and marine, private banking and wealth management, as well as in certain areas of manufacturing. Confidence in Singapore is still high, and "our property market is not as overvalued as that in many other countries", he said.

Last year's budget surplus will also benefit Singaporeans, he told the 300-strong audience.

"Frankly, it was just as well that we decided not to spend all the surplus that we earned last year," he said.

"This shows the merits of thinking not just short-term, but medium- to long-term and not spending all your resources immediately."

Mr Shanmugaratnam assured residents that Singapore's regulations over local banks, offshore banks and insurance companies were sound, but acknowledged that it was natural for Singaporeans to be nervous amid the global uncertainty. "There's no risk and no reason whatsoever to have a run on our banks," he assured.

On calls to expand the insurance coverage of bank deposits from the current $20,000 per depositor per bank, Mr Shanmugaratnam said that would mean higher costs because the cost of insurance would ultimately be borne by the customer.

He added that deposit insurance was the last step in the process, not the first. "The first step is, the banks have to be well-regulated and I can assure you that our Singapore banks are well-regulated," he said. "Our regulations are stricter compared to Ireland, the US, in fact compared to many developed countries. We have always been old-fashioned in our regulatory approach."

Still, he agreed with grassroots leader Peter Ngo that the credit card system might need more oversight. Mr Ngo, 70, the chairman of listed company E3 Holdings, said he knew someone earning $10,000 a month who had been granted a total of $160,000 in credit facilities by eight different banks. With share prices plunging and economic prospects worsening, more people may resort to borrowing from one bank to repay another, causing future problems, as the debt spiralled out of control.

Financial experts suggested to TODAY how consumers might be better protected. Former NTUC Income chief executive Tan Kin Lian suggested that the Monetary Authority of Singapore require banks to provide data on credit card use and for a central database to be set up. Save for the rich, each person should be limited to two credit cards with a total limit of two months' salary, said Mr Tan, a consultant who blog about financial and insurance matters at tankinlian.blogspot.com. As it stands, the Consumer Credit Bureau allows bank to check credit and payment history before issuing cards or making loans.

Mr Leong Sze Hian, president of Society of Financial Service Professionals, said that instead of leaving consumer education to banks and the Consumers Association of Singapore, parties like financial service trade associations and Credit Counselling Singapore could be roped in. A compulsory debt restructuring scheme – for which a consultation paper was issued last year – would also help in preventing bankruptcy, he said.

TODAY, Weekend, 25 October 2008

Article by P N Balji

Finally, a change on Friday

What made it change tack and push for an unusual public stand?

For a government organisation that has perfected the art of brevity, Oct 17 will go down as the day that changed not just the communications strategy of the Monetary Authority of Singapore (MAS), but also forced to rethink its long-held policy at least for a while of using a soft-touch approach to achieve monetary stability in Singapore.

The collapse of Lehman Brothers and its spiralling effects on Singapore investors' savings have put the MAS in a spot. Caught between an approach that is more regulatory than interventionist and a public clamour for action, the MAS decided to act that Friday night.

From issuing very brief and subdued statements on the crisis, something must have changed for the regulatory authority to dish out its longest statement to date (five pages) on the crisis and hold a press conference to boot.

Three things stood out when it:

Said that it was changing tack by giving the public more information on what has been done behind-the-scenes;

Cracked the whip publicly on the financial institutions that sold the structured products to the common man, by telling them not to be “overly legalistic” in their approach;

Identified those investors (lowly-educated retirees) who needed immediate attention

Do the right thing we have communicated this to the CEOs of the financial institutions, the Oct 17 MAS statement said pointedly and sharply.

What changed for the MAS to take such an uncharacteristically public stand? Public mood, for sure. Hard-luck stories of investors losing their savings, and for many it was their retirement money. Mr Tan Kin Lian’s high-profile consumer activism campaign, and rival Hong Kong’s quick-on-the draw and decisive reactions must have played a part.

An analysis of the 15 statements and comments by the MAS since news of the investors’ loss broke six weeks ago on Sept 18 shows a MAS caught in a classic communications squeeze.

At one level, it wanted to nudge the financial institutions privately to act. At another level, it didn’t want to come across as doing anything that might upset Singapore’s ambition to want to become Asia’s financial magnet. And at another level, it wanted to make sure that the investors were not forgotten.

In trying to balance all three balls at one time, it lost sight of local politics – that public anxiety was moving to public helplessness and eventually anger.

The other story here is how the financial institutions should have reacted.

First, they should have taken the bull by its horns and not waited for the MAS to egg them on privately and later, force them to act publicly.

Second, they should have shown empathy for the investors and their plight.

Third, they should not have maintained silence right throughout the crisis until Oct 22, thus creating a vacuum which people like Mr Tan filled happily.

Those following the developments keenly and closely felt that the MAS’ Oct 2 statement, which announced the appointments of the three ombudsmen to find solutions to investors’ complaints, would have settled matters.

But then came Oct 17 and finally Oct 22, which saw bank after bank dashing out press releases to talk about compensation and, in the case of DBS Bank, making a rare admission that there could have been instances of mis-selling.

What a communications disaster! And what a lack of decisive leadership, especially in the public domain.

Moving forward and now that the MAS have shown its sure-footedness publicly, there is still a lot to be done.

Issues like aggressive selling and mis-selling; the financial institution's see-no-evil, hear-no-evil attitude, and finally, consumers' blind faith in investment products – will all have to be addressed.

The MAS has its work cut out for itself. As it continues to balance the various balls, a higher public profile should not be dismissed lightly.

How would you analyse MAS' reactions over the last six weeks?

Ang Mo Kio GRC MP Inderjit Singh: "MAS did fairly well. It needed time to understand the situation … A measured approach was necessary. Otherwise, it would create panic."

Mr Leong Sze Hian (president of the Society of Financial Service Professionals):

MAS was right in not trying to be first off the block. It was better to see the reaction before acting. But I was surprised by some about-turns in their approach. For example, MAS seemed to have left it to the financial institutions to act before it stepped in last week. MAS also said it was talking to the financial institutions to get them to hasten their assessments of how investors will be affected. Later, MAS required financial institutions to commit to standards in handling complaints."

Prof Ho Yew Kee (vice-dean of NUS Business School):

MAS held its ground well. It did not over react or remains silent. It maintained its dignity as a regulator. There must have been many actions, discussions and policy issues which were conducted outside the public view. These are all crucial in arriving at the current resolution.

Mr Richard Hartung (retail banking consultant):

"The hands-off approach was right. The question that is still up in the air is whether this is the investor's responsibility or the seller's. The arguments so far have been skewed in favour of the investors."

Could MAS have done better?

Mr Singh: "I'm glad that there were people like Tan Kin Lian who came forward. MAS could have come forward earlier to calm people. That would have shown a little more leadership."

Mr Leong: “It would have been better to have appointed two independent directors for each financial institution. That way, accusations of collusion can be minimised.”

Professor Ho: “All structured products are complicated and moving forward, we must emphasise caveat emptor. This will not be the first or the last case of the outcry of misrepresentation for complex products. Education is one way forward but more important is that individuals must acknowledge that they understand what they are investing in.”

Mr Hartung: “MAS could look at the registration of high-risk structured products and be more proactive going forward: That is, more information is required either in the prospectuses or in the communication with investors.” – Leong Wee Keat

TODAY, Weekend, 17~18 January 2009

Article by Leong We Kiat

Toxic notes: 58% to be compensated

Close to 3,000 investors – or 58 per cent of the 5,127 complaints on which the 10 financial institutions (FIs) have decided – will get at least some of their money back from their purchase of Lehman Minibonds, DBS High Notes 5 and Merrill Lynch jubilee Series 3 Linkearner Notes.

About 1,282 investors will get a full settlement while 1,692 others will receive a partial one. Almost all elderly investors with little income, formal education and investment experience have been offered compensation.

After weeks of investigations into complaints by investors, the Monetary Authority of Singapore (MAS) made the announcement on Friday.

Over the next few weeks, individual investors will learn the outcome of their case from the financial institutions.

In the face-to-face meetings on compensation, investors can accept the bank’s offer – contingent on a confidentiality agreement – or choose to pursue the matter further with the Financial Industry Disputes Resolution Centre (FIDReC), in which case the financial institution’s offer will no longer be available to him.

While FIDReC will consider the merits of each case, including all relevant evidence presented, the MAS stressed: “Investors should bear in mind that the outcome from the process could be more or less favourable than the outcome of the FIs’ review.”

Of the three products, the Lehman Minibonds saw the highest percentage of full and partial settlement offers: Three in four investors who bought through the banks will be offered compensation. Was this an admission of the degree of mis-selling involved for this product?

MAS said the differences in resolutions for the three structured products reflect the varied target customer profiles of the various FIs and their business models. For example, stockbroking firms mostly execute transactions on customer instruction, which explains the lower rates of settlement offers.

How responsibility was weighted

Overall, MAS deputy managing director for market conduct Shane Tregillis said the regulator "is satisfied that the financial institutions have carefully reviewed the complaints based on principles of fairness without taking strict legal positions".

The FIs had to appoint independent persons to oversee and ensure the complaints handling and resolution processes were "serious and impartial", said the MAS.

In their assessments, the FIs considered various factors: Whether there was a reasonable basis for recommending the product to the investor, whether the key risks and features of the product were adequately explained, and whether proper procedures were adhered to in the advisory and sales process.

To decide the outcome of each complaint, MAS said the financial institutions did not rely on any single factor, but took into account all relevant ones. These include the customer's investment experience, and his or her ability to understand both the product and any documents signed.

"For some, the products clearly did not suit their profile or circumstances and in these cases, the FIs would have taken responsibility," said an MAS spokesperson. "There were also investors who accepted responsibility for their decision but still hoped to put in a claim and get some settlement."

Market watchers noted that investors expected to take responsibility for their own actions would have been those with the risk appetite and experience to understand what they were investing in.

'Give investors time to decide'

Both the Consumer Association of Singapore (Case) and the Securities Investors Association Singapore (SIAS) have urged the 10 financial institutions to give investors time to consider any settlement offer and digest the terms.

Case has urged those who are uncertain about offers made by the financial institutions to approach the consumer watchdog for assistance.

SIAS president David Gerald urged the FIs to carefully explain the offer of settlement, and take steps to ensure their clients "understand the terms of your settlement adequately before securing their acceptance". On their part, he said, investors are advised "to be practical and reasonable in deciding whether or not to accept the settlement offer".

TODAY, Tuesday, 20 January 2009

Letter by Leong Sze Hian

How much, and to whom?

I refer to the report "Toxic notes" 58% to be compensated" (Jan 17).

The high percentage of complaints being offered full or partial compensation puts Singapore well ahead of Hong Kong, and also in terms of the speed of resolution. Media reports are already saying that affected investors in Hong Kong are calling for Hong Kong to follow Singapore's example. This bodes well for Singapore, and will enhance our reputation as a financial centre.

I would like to suggest that a breakdown be given of the percentage o those being offered less than 50 per cent compensation – that is, of those offered less than 40, 30, 20 and 10 per cent, respectively, of the invested amounts.

I have seen postings on Internet blogs, purportedly from complainants saying they have been offered only a few hundred dollars for the tens of thousands they invested.

What is the total compensation sum, relative to the total invested by the complainants?

Also, why is it that the percentage offered full compensation for Jubilee Notes and DBS Notes 5 is only 2 and 8 per cent, respectively, compared to 34 per cent for Lehman Minibonds?

Providing more detailed statistics may dispel any perceptions on the fairness of the compensation process.

CPF

Today, Saturday, 28 July 2001

Article by Vasu Menon

Make the most of your CPF savings

Invest wisely now and you may enjoy a comfortable life after retirement

Are you investing your CPF wisely?

In January this year, the CPF rules were liberalised to give individuals greater autonomy in managing their CPF savings.

Two major changes were made that opened the CPF floodgate: The minimum sum was abolished; and investors were given the discretion to invest their Special Account savings in low to medium risk products.

As a result of these changes, $62 billion in CPF funds are now available for investments.

If properly managed, it presents an opportunity to put your CPF to harder work and do a lot better than the 2.5 per cent you currently get for Ordinary Account savings.

Make your CPF work harder

The difference between investing your CPF wisely and otherwise can be very significant.

Say you have $100,000 in you CPF account, earning an annual return of 2.5 per cent. In 30 years' time, this will grow to $210,000.

Alternatively, if you had invested in unit trusts, which can potentially yield eight per cent per annum over a long term, your CPF balance will grow to $1 million in 30 years' time.

The significant difference of $790,000 can go a long way in making your retirement more comfortable.

Too much going into shares and insurance?

As of June 30 this year, $21.4 billion in CPF Ordinary Account savings were invested in various financial assets – 49 per cent was invested in insurance, 43 per cent in stocks, but only seven per cent in professionally managed products such as unit trusts.

Singaporeans appear to be investing disproportionate amounts of their CPF into stocks, insurance and, of late, guaranteed products.

If you are investing in these asset classes because of familiarity, then you may be investing for the wrong reasons.

With respect to investing in shares, the risk factor can be high unless you do your homework and pick the right stocks. Even then, it is important to monitor your investments closely.

Individuals with limited time and resources may be exposing themselves to undue risk.

The authorities are aware of this, which is why the CPF investment limit for stocks has been capped at 35 per cent of the Ordinary Account balance, while 100 per cent can be used for unit trust investments.

As for CPF monies flowing into insurance, a significant portion has gone into investment-linked insurance policies (ILPs), which are a hybrid between insurance and unit trust, with the insurance pay out pegged at 125 to 150 per cent of the sum invested.

Unlike unit trusts, ILPs have an additional cost layer in the form of mortality charges, which relate to the cost of providing insurance coverage. This eats into the investment returns of ILPs.

So, if you are investing primarily for long-term returns and not for life coverage, you may be better off buying a unit trust compared with an ILP.

For those with limited time and resources, investing in unit trusts is an attractive alternative.

A unit trust typically comprises a diversified portfolio of 50 stocks or more.

Such funds are usually managed by a team of qualified professionals with the resources and expertise to make investment decisions on your behalf.

A unit trust reduces portfolio risk through diversification but it does not eliminate market risk, which is a function of external factors such as sentiment, interest rates and macroeconomic conditions.

When investing in a unit trust there are two layers of charges that you'll incur: A onetime front-end fee of five per cent that's charged by many distributors; and between 0.5 per cent and four per cent that's charged by fund managers.

However, going forward, front-end fees look set to come off from the five per cent level.

Internet mediums like finatiQ are already able to offer cost savings of up to 50 per cent or a front-end fee of 2.5 per cent for most unit trusts.

As competition heats up, front-end loads should come off further.

The hassle-free way to invest

A regular savings plan (RSP) is a hassle-free way to invest in unit trusts.

Some regular savings plans, like the one at finatiQ, allow you to make a fixed periodic investment with as little as $100 per month/quarter using cash or CPF funds.

You can even time your investment day to coincide with your pay day.

Investing, therefore, becomes a hassle-free and a lot more affordable.

RSP can also be a good solution for disgruntled investors who have "lost money" trying to time the market with "lumpy" investments.

With RSP, you can practise dollar cost averaging, that is, make periodic purchases in small quantum to ensure that you participate even if the market heads lower.

This sort of investment strategy can help to reduce the average purchase price and ensure better returns, especially in a bear market.

Before you start a RSP using CPF savings, you should check on the charges imposed by your CPF agent bank.

Most CPF agent banks impose a minimum charge of $2.50 per transaction, up to a maximum of $25, depending on the number of units purchased.

Take charge of your future

Whether your CPF ends up collecting dust or being put to work, is a choice only you can make.

If the fear of taking risk has been a mental hurdle, then it's time to break out of this outdated mind-set.

Start investing now for a more comfortable retirement in the future. The earlier you start, the easier it will be for you in later years.

* The writer is finatiQ.com's chief editor.

Today, Friday, 3 August 2001

Letter by Leong Sze Hian

Only 2.8% returns on unit trust

I refer to the article, "Make the most of your CPF savings" (TODAY, July 28).

It states that "a regular saving plan (RSP) is a hassle-free way to invest in unit trusts … with as little as $100 per month using CPF" and "most CPF agent banks imposes a minimum charge of $2.50 per transaction". If one invests $100 a month, the $2.50 transaction charge is 2.5 per cent of the amount invested. CPF agent banks also charge a minimum quarterly account-maintenance fee of 5 per cent, which would be 1.7 per cent of the amount invested ($5 divided by three months over $100).

If the Total Expense Ratio (TER) of the investment fund(s) is 2 per cent, the total charge (adding all percentages together) is 6.2 per cent.

If the gross return is 9 per cent, the net return after charges would only be 2.8 per cent.

Today, Monday, 12 November 2001

Letter by Leong Sze Hian

Consumer knows best

I refer to the article, "My Lawyer, my agent?" by Jose Raymond (TODAY, Nov 9).

In the mid-1990s in the United Kingdom, many real estate agents and financial planners started to offer will writing services for as little as £35 (about $100), which was then much lower than the normal fee for a lawyer to write a will. Many lawyers in the United Kingdom also provide advice on financial planning.

Over the years, many will writers have stopped offering will writing because of the legal liability and problems of engaging an area in which many were not competent enough to handle.

In the long run, competition within a profession or amongst the profession, should lead to the consumer.

Whether one should consult a real estate agent or lawyer is best left to the consumer to decide.

Today, Friday, 17 May 2002

Letter by Leong Sze Hian

The CPF mind-set problem

I refer to the article, "Bubble that swallowed us" by Lee Yew Meng (Weekend TODAY, May 11).

When CPF savings were allowed to be used for housing, they fuelled the property market. When were allowed to be used to buy shares, they fuelled the Singapore stock market. When were allowed to be used to invest in unit trusts and investment-link products, they fuelled the flow of money into such investments.

Now that we realise that many Singaporeans have not done well investing in property and equities, we are debating about how much CPF should be used for housing.

It is a mind-set problem and will remain so as long as most Singaporeans are led to think that their Ordinary Account is for housing, Special Account is for retirement and Medisave account is for medical expenses.

If we add up the amounts in the three categories, I believe the retirement financial concerns of many Singaporeans may not be as acutely deficient as they may perceive.

For example, one can always downgrade to a granny flat to free up the property's value for retirement income.

Perhaps, it is best to leave financial decisions to the individual and market forces, rather than periodic intervention.

Today, Weekend, 25 ~ 26 May 2002

Article by Val Chua

Smart money

Singaporeans are now better equipped in the market

The financial market is a scary place these days. If the Enron debacle, corporate accounting scandals and volatile technology stocks did not spook the financial market, unethical Wall Street analysts who had urged investors to buy stocks of troubled companies would have sent investors running for cover.

But steering clear of the equity market might not be the wisest thing to do, said experts. Even if you dump all your savings in a low-yielding money market fund, inflation will eat away at the value over time.

A better bet is to diversify your portfolio in a mixture of financial instruments such as stocks, bonds and insurance, to spread the risks and enjoy better returns over the longer term. But still, there remains the question of which ones to pick and why.

That was not a question many Singaporean investors bothered to ask during the heyday of speculative short-term forays into the stock market.

"They bought stocks without asking questions. Before the Nasdaq crash in 2000, investors were snapping up over-valued technology stocks with up to 100 P/E (price earnings) ratios," said Mr Vasu Menon, chief editor of Internet bank finatiQ.com.

P/E ratio is a tool to determine the value the market has placed on a stock.

"It was crazy, but they thought the party would never end," he added.

Led by the herd mentality, vast amounts of cash were ploughed into stocks that seduced investors through sheer word-of-mouth.

Despite being a stock veteran, Mr Robert Chan, a financial professional, lost about $2,000 punting on a Malaysian counter that he knew little of, some six years ago.

"It was one of those high-flyer stocks with a reasonable P/E ratio and people were urging me to buy. But I did not have a clue how the business was run, except that it was into timber," he said. "Now, I would not trust my broker completely, even if he is my best friend."

Much of the earlier euphoria can be traced to the 1996 liberalisation of the CPF policies towards investments in the equity market.

The original intention of helping Singaporeans enhance their retirement nest-egg through investment was thwarted, as investors got carried away, turned into overnight punters and suffered heavy losses.

A lack of investment education was partly to blame.

"Even if the CPF liberalised its rules, Singaporeans were not ready to invest wisely. It was a buy-sell-order situation. Who has the time to sit down and teach you how to examine the company's fundamentals closely? So people just went with the momentum," said Mr Gerald, chairman of Securities Investors Association of Singapore (Sias).

Over the years, the CPF Investment Scheme was tweaked many times – from 80 per cent of investible funds for the purchase of shares to 50 per cent in 1999 and then to the current 35 per cent.

On the other hand, there was a deliberate shift towards unit trusts – 100 per cent of investible funds can be used to buy approved unit trusts, which are managed by professional fund managers.

"The Government realised that the best way is to leave it with the professionals rather than letting individuals punt on their own," said Mr Menon.

That was good news for banks and fund managers, who have since ramped up their market activities to take a slice of the $62 billion worth of investible CPF funds that lie idle.

But some investors feel queasy about re-entering the market.

Mr Lim (not his real name), a journalist, is swearing off even managed funds, after he ploughed in $5,000 for an e-commerce unit trust fund during the dotcom boom, only to witness the Nasdaq crash three days later.

The unit price of the fund, which he still holds, has since dropped from $1 to about 10 cents today – with no recovery in sight. "I do not track the performance anymore. It's too heart-breaking," he said.

For those who still dare, it is now back to basics where the stock market is concerned, thanks partly to regular investment workshops organised by the Singapore Stock Exchange and Sias.

"There was no concerted effort to educate investors in the past. So there is a thirst for more investor knowledge, especially among younger investors," said Sias' Mr Gerald.

Free seminars given by Sias, that started in May 2000, are fully subscribed until August. Sias recently started chargeable investment clinics, chaired by experts who act as mentors for groups of 50 for a six-month period.

"We are teaching investors to stand on their own rather than rely on their remisiers," he said.

The gamblers and punters will always be around, he said, but Sias hopes to reach beyond this group – to educate even tertiary students on the basics of investing before they enter the marketplace.

"I am seeing more investors who are aware of concepts like valuation models. They ask questions about a company's balance sheets and realise the importance of fundamental analysis," said Mr Menon.

"They are also assessing the quality of the management behind the companies," said Mr Chan.

"In the past, we used to joke that Sias stands for 'Silly Investors Always Suffer'," said Mr Gerald.

"Now, we have switched it to 'Smart Investors Always Succeed'."

Today, Tuesday, 23 July 2002

Article by Ng Boon Yian

Boom time?

But banks will inject reality check in property dreams

The news is still sinking in and the players in the property sector cannot stop slapping each other on the back.

After all those stern warnings about Singaporeans over-committing themselves on property, the Government cut the cash down payment for the purchase of private property from 20 per cent to 10 per cent.

From Sept 1, the remaining 10 per cent down payment can be paid out of CPF savings. Deputy Prime Minister Lee Hsien Loong announced in Parliament yesterday, even as he accepted all the key recommendations of the Economic Review Committee on CPF.

As key property stocks such as Allgreen Properties, Wing Tai and CapitaLand jumped up in sympathy with the mood of the moment, analysts had visions of the sales and prices of property units going up.

"It literally means less cash is needed up front. Hence, it will become more affordable for many people to own private property," said Mr Dennis Yeo, managing director of Colliers International.

He is even looking at a record "ghost month" sale volume.

The Government will also allow banks to take over HDB's role of providing loans to flat-buyers at commercial rates from January next year. Bank rates now stand at around 2.8 per cent, compared to HDB's 3.75 per cent. Then the 10 per cent cash down payment on bank mortgages for HDB flats will be phased in over five years. Now, HDB flat buyers are still allowed to use CPPF savings to make the full 20 per cent down payment.

A word of caution: The banks will now be the key creditors, over the CPF. And they will certainly be tougher creditors.

Till now, the CPF Board was given top priority in claims in case an investment went bad.

Now, the banks have been given first charge for purchase from Sept 1 or for loans refinanced from that day onward. This could force buyers be more prudent and responsible in property investments as there is now a real risk of losing their property, said online wealth management company, DollarDEX.

"This could worry buyers since banks are less politically driven and more commercially driven. They may hesitate less to foreclose and exercise their mortgagee rights," said Mr Tay Kah Poh, director of research at Knight Frank.

It is only fair to give banks the security as they deal with home-owners. On the other hand, individuals will behave more responsibly once they realise that the banks got top priority – even above the CPF – matters of repayment, said Mr Seah Boon Ching, head of sales at ABN Amro Consumer Bank.

While the economic logic of the moves could not be faulted, Mr Nicholas Mak, senior research manager at Chesterton International, agreed that the policy of allowing 10 per cent down payment to be paid through CPF funds "does seem to contradict the earlier messages that too much funds were invested in property".

He even wondered if this could create speculative bubble.

That is precisely where the real risk of losing your property to a bank if you have over-invested should sober the market.

MPs generally laud the new moves to curb over-investment of CPF funds in property, especially with disturbing figures showing that the amount of CPF funds withdrawn to finance public housing has upped four-fold from $1.9 billion in 1990 to $8.2 billion in 2000.

Still, MPs such as Dr Lily Neo and Mr R Rayindran are concerned about the changes.

Both wonder if the interest rates for loans will always stay low at the current 2.8 per cent. What will happen to heart landers when it starts climbing?

Today, Thursday, 14 November 2002

Article by Reuters

Private pension plans for CPF members

Singapore plans to accelerate moves to offer privately-managed, low-cost retirement plans to CPF members. Mr Tharman Shanmugaratnam, senior minister of trade and industry said yesterday.

"The CPF board is in the process of appointing an investment consultant to assist in the designing of the structure and the framework of the pension plans," he told a fund management meeting organised by the US-based Investment Company Institute.

"This includes the admission criteria for pension providers, investment guidelines for pension plans and the monitoring of pension plan performance."

Of the $95 billion held in CPF accounts at the end of June, $31 billion had been invested in mutual funds, stocks and property, while $64 billion earned interest rates of between 2.5 and four per cent in the state-run scheme.

About $3 billion of new money flows into the CPF accounts every quarter, some industry analysts estimate.

The minister said some of the key issues for the consultant to address include moves to ensure lower costs and steps to encourage members to invest with a long-term perspective.

“The idea is to make it easy for CPF members to invest long-term and on a diversified basis without requiring a great deal of knowledge,” Mr Shanmugaratnam said.

Today, Friday, 22 November 2002

Letter by Leong Sze Hian

Cap it

How about a limit on CPF expense ratio?

I refer to the report, “CPF working on low-cost pension fund scheme” (TODAY, Nov 13).

I support the Economic Review Committee’s CPF working group’s recommendation that the Government should facilitate the provision of low-cost private pension plans for CPF members.

In addition to looking at low-cost pension funds, a consultant should examine the feasibility of putting a maximum cap on the total expense ratio (investment fund’s expense ratio plus CPF Agent Banks’ charges) of existing investment vehicles included in the CPF Investment Scheme.

I understand that in the United Kingdom, a cap on the expense ratio of pensions was introduced about two years ago, after a study showed that consumers were paying higher investing costs, compare to a decade ago.

It has been suggested that Singapore follow Sweden’s low-cost pension system. I understand that Sweden is the worst performing stock market in Europe, having lost 62 per cent from its record high.

Why is one of the best low-cost pension systems in the world also one of the worst performing stock markets?

Perhaps, consultants could look at the likely impact and implications of low-cost pension funds in relation to the stock market, financial services industry, unemployment and the economy, in addition to assessing their merits and mechanics.

Today, Friday, 29 November 2002

Reply by Matthew Wong

Manager (Public Affairs)

Central Provident Fund Board

Unit trust fees market-driven

I refer to the letter, “Cap it” by Mr Leong Sze Hian (TODAY, Nov 22).

Mr Leong was concerned about the high costs of investing in unit trusts under the CPF Investment Scheme (CPFIS). He also made some suggestions on issues to look at when studying the inclusion of private pension funds.

On the issue of cost of investment, the board tracks the expense ratios and agent bank charges of CPFIS-included products. The board will seek clarification from the fund managers concerned where it is necessary to ensure the transparency of information.

However, the CPF Board does not dictate the charges or set a cap on the charges imposed by service and product providers.

Ultimately, what and how much to charge is a business decision the fund managers have to make. They would have to persuade their customers that their rates are competitive.

Nonetheless, the board shares Mr Leong’s concerns about the cost of investment for CPFIS-included products. We will continue to look for ways to help bring down the cost of investment for our members.

In this respect, the board will be appointing an investment consultant to assist in the design and structure of a framework for low-cost pension plans.

On Mr Leong’s call to study the impact of low-cost pension funds, he would be pleased to know that the board is currently studying the mechanics and implications of pension fund schemes of other countries.

Ultimately, the board will be guided by the objective that any such scheme will have to meet the retirement needs of Singaporeans.

We thank Mr Leong for his feedback and comments.

Today, Wednesday, 13 August 2003

Article by Derrick A Paulo

Net to help the jobless

Portion of CPF funds for insurance?

Retune, fine-tune or tweak.

Ministers and media alike have been preparing the ground for changes to the CPF system.

But enough clues have been scattered to suggest that these will not be minor modifications. Instead, new instruments could be tacked on to the CPF, potentially heralding a new era in the job scene.

On the surface, statements from officials have so far been relatively straightforward: Rates need to be kept “as low as possible” to keep competitiveness high, according to labour chief Lim Boon Heng.

However, this objective cannot ignore the fact that unemployment is already high and set to increase, say analysts. If rates are lowered as the media has been speculating, it would suggest that it is time for a new safety net to be introduced.

One possibility is a retrenchment or unemployment insurance scheme that will become a component of the CPF system, an idea first mooted by the Remaking Singapore committee.

In a report to the Beyond Credit Card committee, Dr Yap Mui Teng senior research fellow at the Institute of Policy Studies, had recommended a scheme modelled after the South Korean Employment Insurance Scheme (EIS) and introduced as a component of the CPF.

Now, one month after the Government has received the Remaking Singapore proposals, the scheme seems to have gathered momentum, and there is a groundswell of opinion that Prime Minister Goh Chok Tong may announce some key changes during his National Day Rally.

Basically, the Korean EIS provides unemployment benefits and promotes employment and skills development.

It requires recipients to register for job placements and be available for work, with a penalty imposed if they reject job offers or quit their jobs.

On the other hand, there is also an incentive for early re-employment, said the report. Benefits are provided for between 90 to 240 days.

Though a CPF spokesman said yesterday that there were "no plans to allocate CPF funds to pay for unemployment insurance", many believe the time is ripe for such a scheme.

"I've seen people with $800,000 in their CPF, but they can't feed their children," said financial planner Leong Sze Hian.

There are a few scenarios should the Government decide to adopt unemployment insurance. What is almost certain is that it will be mandatory.

"If not, only those who are likely to get retrenched will contribute," said Prof Mukul Asher, from the Public Policy Programme at NUS, "Then you will get adverse selection."

However, the bigger question is whether the fund remains individual-based or whether the risk is socially-pooled, that is, everybody's contributions are channelled to a single account.

"Some categories of people are more at risk than others, for example, those without education and above 40. But if you keep contributions separate, you do not allow society to share the risk," said Ms Dominique Dwor-Frecaut, director of Asian research at Barclays Capital.

Currently, the CPF system is not imbued with any social safety net features.

"Society is not providing CPF, the individual is. It would be a misnomer to call CPF a social safety net," said Prof Asher.

"It would require a mind-set change to alter the system."

In her report, Dr Yap had suggested that the insurance funds come from premiums paid from the CPF ordinary account or from Government surpluses.

But no matter where the funds come from, Ms Dwor-Frecaut believes that the insurance scheme could be useful tool to manage the labour market.

"It could make the labour market more efficient. It could make it easier for companies to lay off people. It could also make it easier to match jobs to people's qualifications. It would reflect the volatility of today's job market.

"There is nothing extraordinary about this safety net. Every upper-income country has a safety net. Singapore simply has to choose where, between equity and efficiency, it wants to be."

Today, Monday, 18 August 2003

Article by Francis Kam

Follow me out of the valley

No need for gloom, says PM, Singapore will recover

He was supposed to talk about revitalising the economy. He was supposed to talk about creating and ensuring jobs for Singaporeans. He was supposed to talk about CPF cuts and other major changes the country had to make to maintain its competitiveness.

And though Prime Minister Goh Chok Tong did all of that last night in a two-hour address to the nation, his real task for the night seemed to be to lift Singaporeans out of a quagmire of gloom.

"I want to assure you we are not lost. I will show you the way out of the gloomy valley, and up into the sunny highlands," said the Prime Minister in his National Day Rally speech, assuring Singaporeans that he would not step down while the country was still in an economic funk.

Though the country has been plagued by a sluggish economy, set back by Sars and is facing the threat of terrorism, Mr Goh was confident that inherent strengths would help Singapore reverse the adversarial tide.

"We have every reason to be confident. Compared to the 60s, we command more economic and financial resources. Our political and social environment is stable. And we are not on the brink of violence with our neighbours, despite the constant hiccups," he said, referring to Singapore's ongoing water dispute with Malaysia.

And his belief in the nation has been reinforced by its handling of Sars.

Said PM Goh: "Far from being frozen by fear, the entire nation sprung into action. During the crisis, I saw national spirit I have never seen before. Our country bonded with strong hearts, tenacity and determination. Sars did not break Singapore. It made us stronger."

But he stressed the need for Singaporeans to continue being adaptable in order to survive a fast evolving environment and rising economic competition.

He noted that for every one manufacturing worker hired in Singapore, a company could hire three in Malaysia, eight in Thailand, 13 in China or 18 in India.

As a result, Singapore is witnessing a migration of employment to these lower-cost economies, along with an increasing number of white collar jobs being lost.

To combat this, the Government would have to tweak wages and the Central Provident Fund (CPF), he noted, as earlier steps to lower taxes and Government fees were insufficient.

This could involve lowering the overall CPF contribution rate to as low as 30 per cent, from the current 36 per cent, and setting a range of rates in the longer-term to allow for greater flexibility.

"I would therefore, want the option of cutting CPF in bad years, and conversely, putting more into CPF in good years ,,, so, instead of trying to decide on a fixed CPF rate, I am thinking of setting a range of rates," he said.

He also touched on the need to boost CPF savings for retirement needs, a tightening of rules regarding withdrawals at age 55 and a lowering of the CPF salary ceiling to below the proposed $5,000 mark.

Recognising the fact that the changes could financially hurt some Singaporeans, he said: "Personally, restructuring the CPF will be one of the more difficult decisions I have to make. But it would be irresponsible of me to duck it and leave the problem to my successor. I am convinced that it is better for us to take our bitter medicine now, than to let our sickness get worse."

But he reassured Singaporeans that measures would be put in place to help them adjust to the changes.

Said PM Goh, who will present the changes to Parliament over the next few weeks: "I will help you, by putting in place lifelines and safety nets to cover the essentials. I assure you, none of you will be without a roof because of CPF changes. None of you will be deprived of medical care, or have to forego your education."

Ending his speech with an emotional call to Singaporeans not to lose heart, he said: "Those of us who struggle to build up Singapore from our poor beginning will never give up on Singapore. Out of nothing, we have created a miracle. Out of a barren piece of land we have created a thriving global city. We will never let Singapore return to nothing.

"The only thing that can stop us from achieving our vision is a weak state of mind. Do you believe we can do it? If you say 'no', we will not make it. But if you say 'yes', we will overcome. We have done it before and we will do it again."

Today, Monday, 18 August 2003

Comment by Teo Hwee Nak

Worries stay but spirits lifted

Although CPF changes harsh, PM's decision to see Singapore through reassures

The task at hand was obvious. A demoralised people marching with no promised land in sight needed a pep talk by their general.

And in his most important speech of the year, Primer Minister Goh Chok Tong did just that. He rallied the nation with the success stories of Singapore, injected cheer with a speech peppered with humour and prescribed a dose of bitter medicine for an ailing soul.

PM Goh stated his objective right from the beginning, "I know that you are worried that we have lost our way … (but) when all seems lost, there is hope," he said.

At the end of the speech, though the highlands that PM mentioned remain shrouded in clouds, the path up there looked clearer, but rough and gruelling.

There was the oft-heard message that Singaporeans have to adapt or fall behind. He reiterated the importance of wage reforms and gently reminded Singaporeans to be less reliant on the Government.

One of his key points has to be what has been heavily speculated for the whole of last week – changes to the CPF.

Finally, a more concrete shape of things to come was uncovered: Hints of a six per cent drop, increasing the Minimum Sum in the account, phasing out the 50 per cent withdrawal rule at 55 and lowering the CPF salary ceiling further. PM Goh, who devoted 20 minutes of his speech to changes to be made to CPF described these changes as "one of the more difficult decisions (he) has to make".

Indeed, these were changes that would not be easy for Singaporeans to accept.

Many had been hoping to be allowed to withdraw their CPF to help them tide over tough times and to buy some sort of unemployment insurance through their CPF accounts.

But now, they have to face the reality of paying off their mortgages with a further reduction of CPF contributions.

Yesterday, NTUC secretary-general Lim Boon Heng attempted to soften the impact of the changes by issuing a statement where he urged employers to pay the CPF cut to employees in cash through special bonuses.

Still, Singaporeans would feel the pinch. “This is not a minor change. At a time when we already have much to worry about, we’ll now have to redo our sums where our mortgage payments are concerned,” said training consultant Mr Joseph Ng, 36.

Property analyst Nicholas Mak, who had expected a smaller cut to be phased in over a period of time, called the proposed six-percentage point cut “drastic”.

The impact on the property market, already facing the prospect of rising bank interest rates, is likely to be significant, as affordability of homes is likely to be reduced by around 15 per cent with the change.

It would also be interesting to see if the full six per cent would be cut from the employers’ contribution, or if employees would be able to see a bigger take-home pay cheque.

As Singaporeans struggled in the “valley of gloom”, PM Goh gave his assurance last night that he would not step down before Singapore emerges from that place.

Accountant Mrs Elizabeth Lim, 30, felt reassured by that.

“People are already feeling very jittery during this tumultuous time when things change so fast. Knowing that PM, who has a track record of leading us through several crises will be with us, is comforting,” she said.

So have Singaporeans heard what they wanted to hear from the Prime Minister?

“Much of what he’s said has been said before. But what was refreshing about this year’s speech were the revelations about the ministers and our future PM. I think PM Goh’s motive was to lift our spirits. It worked,” said tutor Mrs Irene Goh.

Today, Tuesday, 19 August 2003

Related article by Shobha Tsering Bhalla and Tan Hui Leng

CPF cuts: Who benefits?

Just a day after the Prime Minister spoke about the need for drastic cuts in the Central Provident Fund (CPF), there is already disagreement over how the savings from these reductions should be used and how effective the cuts will prove.

The National Trades Union Congress (NTUC), Singapore’s largest trade union, said that or companies that are doing well, the extraordinary gains from the cut in employers’ contribution should not go to the shareholders. “The employers should pay the CPF cut to the employees in cash, such as through special bonuses,” said labour chief Lim Boon Heng.

For once, the Singapore National Employers' Federation (SNEF) took a different tack. "We should not directly link savings from a CPF cut to the payment of company bonuses," said SNEF. While it agreed with the principle of rewarding workers, it wanted the savings to be invested in upgrading operations and for training workers.

This is the first time in recent times that the two powerful bodies – one representing the workers and the other the employers – have expressed opposing viewpoints openly over a policy decision.

In his National Day Rally speech on Sunday, Prime Minister Goh Chok Tong had said that Singaporeans should be prepared for a CPF rate reduction to as low as 30 per cent. This would mean that employers, currently making a 16 per cent contribution, could see it drop to as low as 10 per cent while workers may continue to chip in with 20 per cent.

This move startled even Mr Michael Dee, who was a member of the Economic Restructuring Committee's Working Group on the CPF. The managing director of Morgan Stanley Dean Witter Asia (Singapore) said that his panel had, in fact, recommended restoring the CPF rate to 40 per cent as soon as the economy recovered.

So, what has turned that equation on its head? "Clearly, what has happened is that the global economic picture has deteriorated and the Government is making changes to make the CPF an economic stimulus tool," said Mr Dee.

His panel had recommended that instead of slashing CPF contributions, it is the wage system that should be made more flexible. In fact, many experts felt that the CPF should not be "overused" to manage the cost of doing business in Singapore.

"In point No 5 of our recommendation, we had said that we should avoid using the CPF as a counter-cyclical, cost-cutting tool except as a last resort in exceptional economic circumstances," said Mr Dee.

Echoing a similar sentiment, Professor Mukul Asher who teaches Public Policy at the National University of Singapore, said the Government has "traditionally over-emphasised the role of wages in business competitiveness".

And, as many analysts pointed out, the CPF was a blunt tool.

But Mr Lim, the labour chief, clarified that while a flexible wage system could help Singapore deal with cyclical problems, it was now facing a more fundamental challenge from new (and cheaper) competitors. So fixe costs – like the CPF – had to be brought down.

The big question was how much this would help.

Associate Professor Hui Weng Tat from the National University of Singapore agreed that reducing contributions and lowering the salary ceiling would have a direct impact on labour costs. But there was a downside, too. He said that with these measures, many of the older workers might feel they did not have enough CPF savings and continue to stay on in the job market. "This would aggravate the unemployment situation," said Prof Hui.

Even now, more than 50 per cent of fully-employed people could not fulfil the requirement to have a minimum sum of $80,000 in their CPF account, he said. After the cuts, this number could grow.

Instead of across-the-board CPF cuts, Prof Hui suggested that the more profitable companies could be required to convert the cuts into a monthly variable component (MVC). This would also help jump start the MVC system which the Government has been trying to get companies to adopt.

Alternatively, companies could be given the option of paying higher contribution rates if they could afford to.

Today, Tuesday, 19 August 2003

Comment by Lee Han Shih is a freelance journalist.

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Issue the PM overlooked

… Could remove the need for CPF cuts

On Sunday night, Mr Goh Chok Tong delivered the best speech of his 13 years as Prime Minister, a speech that brought to mind on more than one occasion Winston Churchill's famous call to arms when he became Britain's war-time Prime Minister in 1940. It is a pity he left out an important issue.

Singapore, Mr Goh said, has to cut business costs and introduce more reforms to attract foreign investors and create jobs. No one dispute that. But a major part of business costs is the ballooning expense of the civil service. Yet, Mr Goh gave no indication of how his Government plans to tackle this issue.

Granted, a National Day Rally speech is no place for details – especially one in which the Prime Minister is announcing his impending retirement. But the cost of supporting the civil service is heavy and, unless it is cut, it is hard to see how the Government can, as Mr Goh promised, "create a framework" for business to thrive in Singapore.

To be fair, the cost of the civil service was not the only issue clamouring for the Prime Minister's attention. And he addressed many others, from mounting unemployment to

cutting CPF contributions, from political succession to gays. In an otherwise grave and poignant two-hour speech, he also managed to slip in a few light moments, especially when he responded – 13 years after the fact – to Senior Minister Lee Kuan Yew's comment that he was "too wooden" for the top job.

Overall, Mr Goh's speech was inspirational, which was the right time for a populace hit by economic setbacks. The Prime Minister, a man of the old school of thought and speech, seemed to have drawn much of his inspiration from Churchill, another leader who overcame seemingly impossible odds.

In much the same way that Churchill rallied the British during World War Two, Mr Goh is telling Singaporeans to step up their struggle (on the economic front) and help Singapore escape from its current "valley of gloom".

Churchill rallied his people with words but he also led by example, which is exactly what a leader should do. Amid today's economic gloom, nothing would set a better example than a decision by Mr Goh to shrink the civil service.

One out of perhaps 10 people in the local labour pool works for the government (the exact number is not disclosed). These people do not generate wealth. Their salaries are paid for by the labour of those who do. On average, one in nine people in the private sector is supporting a civil servant. Put another way, some 11 per cent of every non-civil servants pay goes towards keeping the civil service running. This money is collected in many ways – directly through income tax and the goods and service tax and indirectly through levies, licence fees and other charges that work themselves into the salary structure.

This is a scary figure. Coupled with CPF contributions, nearly half of a working person's wage (47 per cent, to be precise: 36 for CPF and 11 for the civil service) cannot be used to meet his immediate needs. Is it any wonder that business costs in Singapore are considered high?

It is telling that the first thing the government does to help get jobs for Singaporeans is to start up yet another statutory board, the Works Department Agency, which presumably generates some new jobs for civil servants.

Earlier this year, Mr Wong Toon King, founder of Silkroute Ventures, pointed out that the essence of entrepreneurship is the ability to do "extraordinarily more with less". At a time when Singapore is being urged to become more entrepreneurial, the civil service should lead the way by consolidating the number of public agencies into a leaner, more compact government organisation.

Every 10 per cent reduction in civil service costs will indirectly reduce business costs by one per cent. If the civil service managed a big enough cut, say 30 per cent, this might make it unnecessary to impose such a drastic reduction in CPF contributions, since businesses would already be enjoying cost savings of three per cent.

Mr Goh could step down by 2005. Like all departing heads of state, he must have a full agenda for the last two years of his tenure. Let's hope reforming the civil service is on the priority list. This is an unpleasant task and could cause a lot of pain. But a leader leads, and if the civil service does not make sacrifices, how can Mr Goh convince the private sector to do so?

Today, Monday, 11 August 2003

Related article by Lee Yew Meng

The writer is a business correspondent with TODAY.

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Wage reform dilemma

Anticipated changes in CPF to lower business costs will hurt many

The market is abuzz with talk of more changes in Central Provident Fund (CPF) contribution rates and caps as part of the wage reform process to make Singapore more cost competitive.

Changes, such as lower CPF contributions, are needed for various reasons. The CPF has been blamed for keeping business costs high. Singaporeans use too much of their CPF funds on property and the uses of CPF have been expanded beyond its original intention for housing, healthcare and retirement.

Analysts TODAY spoke to say these changes will hurt many and wonder whether there are interim measures that can cushion the impact should they be implemented.

The Government had earlier announced lowering the CPF salary ceiling cap from $6,000 to $5,500 next year and to $5,000 in 2005. Also, workers in the 50-to-55 age group who currently contribute 20 per cent of their salary, will have their contributions lowered to 18 per cent next January and 16 per cent in January 2005.

The market is also expecting a reduction in the CPF contribution rate for employees in the 40-to-50 age group. And maybe a cap on the total CPF rate at 36 per cent instead of it being restored to 40 per cent eventually. It is also considering increasing the Minimum Sum from the present $80,000 to meet rising retirement living expenses.

Besides lowering business costs, the pending CPF changes also show that there is no necessity for high income earners to contribute too much to their CPF accounts.

As at the end of March, the three million CPF members have net balances of $98.7 billion. The bulk is invested in long-term Government bonds which offer yields below the four per cent offered by the CPF's Special and Medisave accounts.

And with public bodies such as the HDB borrowing less from CPF funds – because of fewer housing projects and fewer cases of refinancing of HDB loans – there is a lesser need to grow the CPF asset's size and to scramble for ways to pay the 2.5 per cent interest rate to the Ordinary Accounts.

Wealth management firm, dollarDEX.com, however, sees the impending changes in positive light.

"It is a good idea because it allows those with more means to retain more money outside the CPF system; and those with less have to adjust to an appropriately smaller property and adequate medical protection than a big property with insufficient medical protection," a dollarDEX.com official said.

Seen in the context of a 15-to-20 per cent cut in salaries – as in the cases of Singapore Airlines and PSA Corp – the impending CPF changes do not seem so drastic.

But combining the two could mean substantially lower employers' costs and this implies they will find it easier to retain older workers. Whether this will happen is another matter altogether. More than half of the 109,868 working members in the 50-55 age group have more than a $150,000 net balance in their CPF accounts, according to CPF statistics.

Under the changes, assuming a $6,000 monthly salary, the employee will increase his take-home pay by $2,520 but will suffer a reduction in gross income by $960 in 2004.

In 2005, when the employee's contribution is cut from 20 to 16 per cent, his take-home pay will increase by $4,800 but his gross income will be reduced by $1,920. Another downside is his increased tax liability on the higher take-home pay. Assuming he has a wife and two children, he will have to pay $227 more in income tax in 2004 and $432 more in 2005 than he has to now.

But for property owners who bought their homes at the peak of the property market cycle, the impending CPF changes raise grave concerns.

Mr William Wee, general secretary of SIA Engineers Executive Union, said: "About 30 per cent of our 770 members have existing private housing loans. The CPF rate cut is not a win-win situation."

Financial planner Leong Sze Hian estimated that 80 per cent of CPF members' assets are in their homes. And when residential property prices are down about 40 per cent from the 1996 peak, the "paper" losses – which will become a reality when the properties are sold – are substantial.

He said: "The reality is that most people have very little left in their CPF Ordinary Accounts because in the past, they kept on upgrading their properties."

Today, Weekend, 30~31 August 2003

Letter by Leong Sze Hian

Beyond the CPF cut

Following the CPF changes announced in Parliament, many Singaporeans may feel that the future has become more uncertain and daunting.

This need not be the case. Singaporeans should embrace financial planning as an important aspect of their lives.

For a start, everyone should review their financial goals and concerns with respect to their retirement, children's education, home ownership, lifestyle, etc.

I believe that the financial planning process will enable some people to realise that the CPF changes have little or no impact on their financial goals and concerns. Others may have to postpone their retirement plans, while some may have to make lifestyle and cash-flow adjustments.

The issue is not so much the CPF cuts but rather how Singaporeans respond by adjusting their expectations for their future.

Today, Monday, 6 October 2003

Letter by Leong Sze Hian

Rankings overrated

Over-emphasis on academic results not healthy

I refer to the article, "Tharman doctrine: Changes in education, but how fast?" (TODAY, Oct 3).

Rankings should not be done with too much emphasis on academic results.

We should emphasise more on giving our children a well-rounded education.

Besides its ranking, what is perhaps equally important for a school is how well it is helping less academically-inclined students and those whose families may be less well off or financially strained.

Rankings may put some pressure on teachers to ask students who do not do well in a subject to drop it to a lower level.

With this ranking system, teachers are under pressure, too, and may also lose their tempers, as seen in the Raffles Junior College video incident. Academic pressures may have also contributed to the suicides of two junior college students this year.

In a sense, rankings may be doing a disservice to the hundreds of schools in which devoted teachers toil daily to educate our children.

What really makes a school great is its ability to address the needs of all students of all ability levels.

The over-emphasis on rankings may diminish the fact that schools serve the entire community and not the elite.

Let's allow our children to enjoy their youth, instead of becoming burned-out even before attaining adulthood.

TODAY, Monday, 1 March 2004

Letter by Leong Sze Hian

Alternative to 'means-testing'

I refer to your news comment, "Budget with a long view"; Ms Tammie Teo Seh Yian's letter, "Neither rich nor poor, but feeling the pain"; and Mr Benjamin Gan's letter, "Let's not be prejudiced against the rich" (Weekend TODAY, Feb 28~29).

For every 10 patients in the top fifth among Singaporeans in terms of household income, nearly four opted for subsidised care in 2002. The majority of such patients may have done so out of fear that they might run short of funds if the illness became more serious or treatment was prolonged.

The current policy of not allowing patients to downgrade to a lower class ward may contribute to this fear. I don't think we can fault patients for being prudent, particularly during a period of economic uncertainty.

Many Singaporeans may not have used the funds in their CPF Medisave accounts to take up one of the CPF medical insurance plans. When faced with the prospect of hospitalisation without insurance coverage, the natural response may be to err on the side of caution.

The budget includes plans to use "means-testing" to tag subsidies to income. This may not be the best approach, as income does not necessarily reflect a patient's financial situation.

Perhaps, only a change in the policy of not allowing ward-class downgrading can reverse the trend of more Singaporeans opting for lower-class wards.

TODAY, Friday, 10 September 2004

Letter by Leong Sze Hian

New bureau a new way to deny credit?

Since the introduction of the Consumer Credit Bureau (CCB), some consumers who have negative credit histories have found it almost impossible to get a loan to buy a house, a car, anything – despite have cleared all their debts.

Now, with a second Credit Bureau for low-income borrowers (CBL), does it mean that even those who don't earn enough to borrow from financial institutions will not escape the life-long stigma of a negative credit history? Reportedly, one hospital had actually joined the CBL.

Can you imagine being denied credit by this hospital when you fall sick; and by the funeral parlour when you die!

Access to the CCB is now restricted to financial institutions that have very strict controls on authorised access to protect consumers' privacy. It may be more difficult to control and protect one's data privacy, if any organisation which grants credit – their numbers run into the thousands – can join the CBL.

I understand the CCB keeps negative credit data for six years, bankruptcy data for six years from the date of discharge and writ of summons data forever.

One can request for a free report if denied credit within 30 days and one has the right to correct erroneous data.

Will the CBL have similar safeguards, since it is not subject to legislation or governmental control? Countries like the United States have laws to protect consumers from being denied credit. Will Singapore introduce such legislation?

For example, under the Fair Credit Reporting Act and the Equal Credit Opportunity Act, when creditors evaluate a credit application, they cannot lawfully engage in discriminatory practices like denying credit based on race, sex, marital status, religion, etc. If you are denied credit, you have a legal right to know why.

As more organisations that grant credit join the CBL, will not the costs of accessing each credit history be passed on to consumers? Perhaps more people may be driven to illegal moneylenders, loan sharks and illegal CPF investment cashback scams, as it is the lower income group which is probably likely to run into credit problems.

TODAY, Tues, 14 September 2004

Reply by Lincoln Teo

Sales Director

Inforcedit D&B (Singapore) Pte Ltd

Restricted access to 'bad credit' data

We thank Mr Leong Sze Hian for his letter, "New Bureau a new way to deny credit?" (Sept 10) and wish to offer some clarifications.

The second credit bureau he referred to, known as CreditScan, is a credit database for companies in the non-financial industries. Only companies that are members of CreditScan have access to the database.

Contrary to reports, CreditScan does not serve to deny credit to low-income earners. CreditScan only contains information on individuals who have defaulted on payments, regardless of their income.

The purpose of CreditScan, and credit bureaus in general, is not to deny credit to individuals but to enable credit grantors to make informed decisions so as to tailor facilities that best suit people's needs. Internationally, the credit bureau is a proven risk assessment tool.

CreditScan, which is operated by Inforcedit D&B (S) Pte Ltd, was established based on international best practices and is tailored to meet local requirements. In establishing CreditScan, ICD&B has reviewed safeguards in place in other bureaus.

A robust set of compliance guidelines is in place, which is modelled after the Code of Conduct of the Credit Bureau Singapore, which serves financial institutions. Members of CreditScan and ICD&B are contractually bound by this voluntary code of conduct. We invite Mr Leong to contact us at 6318-7879 if he has any queries.

TODAY, Wednesday, 20 July 2005

Article by Shobha Tsering Bhalla

Early Xmas for property sector

Relaxed loan rules and access to CPF could stir lacklustre market

Singapore's sleepy property sector just got a sweet wake-up call.

Overnight, it has become easier to buy a home in Singapore as one can now borrow more from the banks.

The cap of 80 per cent for bank financing has been raised to 90 per cent. The Housing Development Board (HDB), too, is raising its loan limits along similar lines.

Announcing the changes in Parliament yesterday, National Development Minister Mah Bow Tan said the remaining 10 per cent to be paid by the borrower would limit over-borrowing and act as a safeguard against potential losses by banks from loan defaults.

Also, of the 10 per cent deposit required for private homes based on the property value, only 5 per cent needs to be paid in cash. For the rest, you can dip into your CPF.

The measure comes into effect immediately for private property and from January next year for HDB flats. The restrictions on foreigners buying apartments in non-condo developments of fewer than six storeys have also been removed.

Mr Mah stressed that the purpose of the changes was neither to neither boost nor depress the property market but simply to improve structural rules nor better achieve the broader social and economic objectives.

He said some of the new measures would have a positive effect on the market, while others might dampen it.

The reflex action of the market, which has been bearish since the cooling measures of 1996, was to ignore the dampeners. The ST Index hit a five-year high yesterday led by gain from property counters – with banks not far behind as their home-loan business is expected to grow.

"It's very positive for the property sector. The measures are quite broad in their effect because the reduction in gearing also applies to the HDB, and this will bring more people into the private residential market," said Mr Lai Yew Huan, a property analyst at Standard & Poor's.

"Earlier this year my prediction was a 10-per-cent rise in prices by year-end. That hasn't panned out so far, but I still stand by it, especially in light of the changes," added Mr Lai.

Analyst like Mr Lai agrees that the two factors that will propel this ride are the lowering of the cash component and the reduction in the down payment to 10 per cent.

"The changes will first lead to a rise in transaction volumes. Developers are also likely to start raising prices depending on market conditions," said Mr Nicholas Mak, research director at property consultancy Knight Frank.

Analysts also expect to see new entrants into the private residential market, led by foreigners attracted by the latitude in home-ownership rules. Young families can also start to dream of their own home keys.

Now that 95 per cent of the purchase price of a private home "can be funded by a combination of the CPF and a bank loan, it makes it easier for young families who might not have enough liquidity to buy their first private residential property," said Mr Joseph Tan, director, residential at CB Richard Ellis.

There will also be a "spill-over" from the HDB sector.

"The increase in loan-to-value limit will give greater opportunities to HDB upgraders to realise their dream private homes," said Mr Mohamed Ismail, chief executive of Propnex, which has 15 per cent of Singapore's private home-resale market.

He predicts a price rise of 5 per cent by year-end for sub-million dollar private residential properties and a 20-per-cent increase in new launches over the next two or three months.

On the HDB side, the raising of the loan limit will help "stabilise" the prices of larger HDB flats as demand for them will be stimulated, said Mr Jack Chua, president of ERA. This in turn, would give the upgrader market a boost, he said.

Amid the raft of welcome changes, only one or two have raised the odd eyebrow.

One of these is the ruling that requires Medisave Account overflows to go to Special Account or Retirement Account instead of into the Ordinary Account as was the case earlier. This means it cannot be used for property purchases.

"It would put a restriction on certain people from buying expensive property as this would put a small constraint on their budgets. But it's not a big impact on the market," said Knight Frank's Mr Mak.

The Government is also phasing out the Non-Residential Properties Scheme (NRPS) that allows CPF members to invest in non-residential properties. However, the alternative already exists – members who wish to invest their CPF savings in commercial properties can do so through property funds. These are less risky vehicles and require less capital.

"Only 1,600 members are using the CPF for this and none of them will be affected," said a CPF spokesman.

There will also be a change to the Residential Property Act (RPA) to revoke the exemption granted to some foreign companies from applying for a Qualifying Certificate (QC) when they purchase residential land for development. Currently, 43 foreign companies enjoy this exemption but to level the playing field, the Government is revoking this exemption with immediate effect.

With the higher financing allowed, the Monetary Authority of Singapore (MAS) will require banks to hold more capital against housing loans which exceed 80 per cent of the property value.

To mitigate the risks of these high loans, the MAS is studying the viability of introducing mortgage insurance which is currently not available here.

TODAY, Thursday, 21 July 2005

Letter by Leong Sze Hian

Increased loan uncertainty

Property policy should be reviewed

I refer to the article, "Early Xmas for property sector", by Shobha Tsering Bhalla (July 20).

With the financing limit for housing loans being raised from 80 to 90 per cent of the property value, and the cash payment for private residential properties lowered from 10 to 5 per cent, home owners may reach the 120-per-cent valuation limit for use of CPF earlier, because of the larger interest on housing loans and the use of more CPF relative to cash. When the cap is reached, the authorities will no longer allow you to use CPF to service your mortgage.

It may be difficult to plan 20 or 30 years ahead for this CPF cap, because it depends on the movement of interest rates during the loan period.

When the cap becomes 120 per cent in about three years' time, it is estimated that all home owners would be hit by the cap at some point in a 90-per-cent, 30-year housing loan.

For example, for a $500,000 property with a 90-per-cent $450,000 loan for 30 years, at 3-per-cent interest and 5-per-cent cash down payment, the cap will be reached after 25 years and 3 months.

The changes may make the "uncertainty" of servicing your home loan even greater.

I would like to suggest that the CPF cap be reviewed, in the light of the new property policies. Whenever a policy is changed, we should consider its implications on other policies.

TODAY, Tuesday, 27 September 2005

Article by Derrick A Paulo

CPF plan 'best decision in board's history'

Analysts react with cautious optimism to changes to privately-managed scheme

By his own admission, financial planner Leong Sze Hian can be critical of the Central Provident Fund system.

He has written to the newspapers several times to inquire about the mounting losses from the CPF Investment Scheme.

But when he read about the changes afoot, he thought to himself: "This is the best decision the CPF Board has made in its 50-year history."

Like Mr Leong, industry experts in general are giving two thumbs up for the two plans under study to improve the system.

After months of consultation on the proposal to introduce privately-managed pension plans (PPPs) – which was scrapped last year – the feedback appears to be leading to some improvements.

On Sunday night, Prime Minister Lee Hsien Loong announced that opt-out annuities and a default pension plan could be in the works.

"Whatever helps people to increase the size of their nest eggs is good," said Dr Yap Mui Teng, senior research fellow at the Institute of Policy Studies.

The nature of the schemes can also help to optimise asset allocation.

"Default options, if presented clearly, are a good idea," said Chris Firth, CEO of wealth management firm dollarDEX.

"They should particularly help the segment of Singaporeans who, through inertia or lack of financial knowledge, have in the past tended to shy away from doing anything other than leave their money earning the 2.5 per cent ordinary account rate."

A default pension plan under the CPF Board would offer economies of scale – hence, lower cost – which was lacking in the previous proposal to have various voluntary PPPs.

In July, Manpower Minister Ng Eng Hen indicated that the CPF Board was looking to aggregate and place its members' funds for investment.

A pension plan can have a more globally diversified portfolio, explained Mr Leong, although he cautioned against CPFIS investors from pulling out their investments en masse as the markets are now rising.

But where should the default button be set?

Hong Kong has a model where the default is conservative, according to First State Investments CEO Lindsay Mann.

However, he hopes that there will not be a one-size-fits-all approach in Singapore.

Instead, he would like to see a default profile based on age. General investment principles recommend moving from an aggressive to a moderate and, finally, less risky portfolio with age.

When it came to annuities, however, the experts were more cautious.

The fixed-income market in Singapore is still developing.

"Other markets are more sophisticated. They have survivor annuities, inflation-adjusted annuities. That's better than a 'plain vanilla' annuity," said Mr Mann.

As for annuities benefiting those who live longer than average, Mr Leong pointed out a drawback. While the CPF pays some $700 monthly for 20 years to those who reach the CPF Minimum Sum, life annuities now pay out about $500 at the most.

"Although, this $500 will last till you turn 100, how many of us are going to live that long?" he asked, adding that the current low interest-rate environment doesn't make annuities attractive.

"When you buy an annuity, you lock in a rate. Three to five years ago, it would make sense."

If the CPF annuity plan is to succeed, the annuities have to be as appealing as the CPF pay-outs, he believes.

TODAY, Weekend, 10~11 December 2005

Letter by Leong Sze Hian

CPF lost through HDB loan

I refer to the letter from the Housing and Development Board, "We build homes, not houses" (Dec 6).

Mr friend applied for an HDB executive flat under the Joint Selection Scheme (JES), with his mother and sibling applying for a five-room flat. When his family's gross income fell by about half during the last economic downturn and he became self-employed, he wrote to the HDB to cancel his executive flat as he was afraid he would have difficulty servicing the HDB loan. He was prepared to pay the necessary forfeit and his mother and siblings were willing to top up their downpayment to the usual 20 per cent, instead of the 10-per-cent concession under the JES.

But HDB pointed out that "if any of the applications under the JES is withdrawn for any reason whatsoever, the other application would become ineligible to proceed with the purchase".

As his mother and sibling had waited for about five years for their flat, my friend went through with the purchase. Then his wife was retrenched and his business did not work out. He is now a taxi driver with two young children to support.

He bought his flat in 2000 for $416,000. Now, he and his wife have exhausted their CPF and have not been able to pay their mortgage loan instalments for more than six months. He got his Member of Parliament to write to HDB, asking if he could surrender his flat and have the CPF he had utilised refunded to his account.

In reply, HDB said it "does not accept the surrender of flats if the owners have completed the requisite minimum occupation period (MOP)" – five years in my friend's case – as the owners now "can choose to sell the flat in the open market".

But if he sells his flat in the open market, he will lose the CPF he and his wife have accumulated over more than 20 years, because the current outstanding HDB-subsidised loan of $330,000 is the same amount as the flat's current market value.

Prior to October 2002, when the first charge on private residential property bank loans was changed from the CPF to banks, the CPF used (plus accrued interest) had to be returned to the borrowers' CPF accounts in the event of foreclosure. In January 2003, when banks started offering housing loans for HDB flats, the first charge was changed to banks – such that one's CPF would no longer be protected in the event of foreclosure.

In the last economic downturn, there were about 22,000 HDB subsidised loans in arrears for more than three months.

Will these Singaporeans lose their CPF too, if they cannot service their HDB-subsidised loans in the future?

TODAY, Friday, 23 December 2005

Reply by Tan Heng Huay

Deputy Director, Public Affairs

Corporate Development Dept

Housing & Development Board

Tan Chui Leng

Deputy Director

(Housing Schemes)

Central Provident Fund Board

CPF charge: No change in order

We refer to the letter "CPF lost through HDB loan" by Mr Leong Sze Hian (Dec 10).

With regards to the CPF charge for HDB flats, we wish to clarify that there has been no change in the order of charge. Prior to January 2003, HDB granted loans to buyers of HDB flats with HDB having the first charge, followed by CPF Board.

From Jan 1, 2003, banks were allowed to provide loans to HDB flat buyers. Hence, the bank will take first charge followed by the CPF Board.

The banks merely step into the shoes of the HDB and take first charge on the mortgage when they grant loans to HDB flat buyers.

When members sell their HDB flats bought with CPF funds, they are required to refund the CPF withdrawn, including accrued interest.

However, in the event that the selling price after settling the outstanding loan and resale levy (if any) is insufficient to cover the full CPF withdrawn and interest accrued, the CPF Board will only require the refund of the net sale proceeds, if the sale is conducted at fair market value.

As owning a home is a long-term commitment, we would like to reiterate that home buyers should exercise financial prudence. This would minimise their risk of running into financial difficulties when servicing their mortgage loans.

TODAY, Monday, 9 October 2006

Letter by Leong Sze Hian

High cost of unit trusts

Most CPFIS investors couldn't even beat Board's 2.5% interest

I refer to the report, "Rich Singaporeans are Asia's top shoppers" (Oct 4), which states that "a third now own unit trusts, about 20 per cent more than last year". Considering this, it is time to level the playing field for unit trust investors.

For the first time in the history of the CPF Board, it has just published on its website, a CPF Investment Scheme (CPFIS) Simplified Funds Report, in addition to the usual full quarterly Standard & Poor CPFIS Report.

According to the report, "quadrant A (funds with above-average return and below-average risk) might be seen as the most optimal choice where the fund managers had managed to produce relatively higher returns while minimising the funds' volatility".

In the three years to June 30 this year, only 11.11 per cent of CPFIS-included unit trusts were in quadrant A while the figure for investment linked insurance products (ILPs) was 9.33 per cent.

Quadrant D had only 10.61 of unit trusts and 8 per cent of ILPs. This category, for funds with below-average return and above-average risk, is the least desirable outcome.

Although the actual percentage is not given for quadrant C (below-average return but below-average risk), from the chart given, I estimate the percentage of funds in C to be the majority – about 50 per cent.

The above is perhaps underscored by the fact that after 11 years of the CPFIS, about 75 per cent of investors did not beat the Ordinary Account's 2.5 per cent interest on a cumulative basis.

CPF members have invested more than $29 billion of savings in various investments.

The expense ratio for CPFIS included unit trusts was 15.21, 1 per cent higher than for ILPs in the higher risk, medium-to-high-risk and low-risk categories. In the low-to-medium-risk category, the expense ratio for unit trusts was 5 per cent lower than ILPs.

What is perhaps more telling is that the highest expense ratio among unit trusts in the higher risk category was 5.57, compared to 3.11 for ILPs.

If CPF investors is paying 5.57 per cent expense ratio in a year, what is the probability and potential of making money?

Instead of just unit trust and ILP statistics, I suggest that future reports calculate the differences in expense ratios to help investors make discerning decisions. This may also help advisers to make recommendations and drive the industry to give preference to recommending lower-cost options to consumers.

I understand most studies and research show the most significant factor in long-term fund investment success is a portfolio's average expense ratio over time.

There are more unit trusts than ILPs. A search at www.fundsingapore.com, an information service by the Life Insurance Association and the Investment Management Association of Singapore, returned 891 unit trusts and 214 ILPs.

I understand that investors who walk into a financial institution are generally recommended unit trusts rather than ILPs, despite the former's relatively higher expense ratio.

Why is this so? On an absolute percentage of fund size basis, the same fund manager's pay-out expense to distributors to generally higher for unit trusts than ILPs.

In other words, an adviser recommending a unit trust is typically paid a trailer fee every year on the total assets managed, compared to an ILP, which pays the intermediary only once in the first year.

To what extent has the above contributed to the generally higher expense ratio of unit trusts, relative to ILP?

Unless the playing field is levelled, CPF investors may continue to pay more but may end up with less for their retirement.

TODAY, Wednesday, 11 October 2006

Reply by Danny Chua

Include index funds for CPF investments

I refer to the letter from Mr Leong Sze Hian, "High cost of unit trusts" (Oct 9).

Most CPFIS investors could not beat the Board's 2.5 per cent per annum interest rate due to the high costs.

The costs include up to 5 per cent in sales charge; 5 per cent in annual management expense ratio; and other hidden charges of rapid-fire trading churning of between 80 per cent and 120 per cent in actively managed funds (these generate soft-dollar commissions for the fund managers but at the investors' expense), and stale-pricing after trading hours, among others.

Hence, if the fund return is at the benchmark of 10 per cent, the investor will still be under water due to these costs.

Investors often chase funds that have done well, shun those that have done poorly, buy high, sell low and damage returns on their investment.

According to Lipper Inc, over the last 20 years, only 37 of 248 actively managed funds have outperformed the Vanguard Index Fund.

Index funds track the actions of not just the best, but also of the mediocre and poor participants in the market. At first glance, that is not an attractive strategy.

But since over 80 per cent of actively managed funds failed to meet the benchmark return, it is best to avoid the risk of inferior performance and low return.

The main advantages of index funds are low fees and low trading costs. Unfortunately, not many fund managers and banks are willing to promote such index funds due to low sales commission, low annual management income and trailer fees and soft-dollar commission.

The CPF Board should ask that each fund manager, have at least one index fund in their portfolio of funds for investors to buy.

TODAY, Friday, 13 October 2006

Reply by V Giri Mudeliar

Executive Director, Investment

Management Association of Singapore

The field is level in the long term, as Unit Trust costs are brought in line

We refer to the letter by Mr Leong Sze Hian "High cost of unit trusts" (Oct 9).

We are unable to establish where the writer obtained the high expense ratio figures of 15.21 per cent for CPFIS-Unit Trust (UT) and 14.21 per cent for CPFIS-Investment Linked Products (ILP). The average expense ratios for the risk categories of both UT and ILP are reported in the CPFIS 2nd Quarter 2006 Funds Report.

These are acceptable industry figures. The expense ratios of UT and ILP refer to operating costs which include management fees and other administration costs expressed as a percentage of the average net assets of the funds over a given time period. They do not include the insurance costs in ILP.

Although there are differences in the expense ratios between UT and ILP, they are not so significant as to severely disadvantage the investor. Besides expense ratios and management fees and trailer fees, investors must also take into consideration the sales charges that they pay when purchasing a UT or an ILP.

The example given in the letter of the “highest expense ratio” of 5.57 for UT and 3.11 for ILP referred to one particular fund in the “higher risk” category which has an average ratio of 2.08 for UT and 1.81 for ILP.

The CPF Board (CPFB) and the industry are aware of the effect of the cost on the investment returns. To this end, the CPFB has revised the admission criteria for new funds with effect from Feb 1.

One important criterion was the introduction of a Median Expense Ratio for various risk categories of both UT and ILP. These new ratios are lower than the average expense ratios reported in the CPFIS 2nd Quarter 2006 Funds Report.

We have actively approached and encouraged asset management firms with UT expense ratios above the CPFB guidelines to lower their cost. We are glad to report that all have cooperated and are on track to have their expense ratios in line with the criteria set by CPFB.

In the past three years, the average returns were positive 45.53 per cent for CPFIS UTs and positive 37.47 per cent for CPFIS inclusive of ILPs.

Over the long terms, the playing field is indeed level. And investors can expect to reap their rewards according to the risk/return profile they embrace.

TODAY, Weekend, 30~31 December 2006

Article by Mira Kashinath

Do your maths first before you commit

CPF changes from January mean less available for withdrawals, servicing loans

You're in your mid-40s now, your kids are entering university and you've just bought a new condominium in the heart of town. You're paying for the condo and the school fees through your CPF funds, but you figure that in about 10 years' time, you'll be able to withdraw the remaining savings and retire comfortably. If that is the scenario you're envisaging for you 50s, think again.

Upcoming CPF changes – that come into effect on Jan 1 – may set you to review your priorities and jolt you back to reality.

From next month, the amount that you can withdraw from your accounts or use for buying property will be cut further. On their own, the changes seem minuscule. But when you combine these with recent CPF policy changes – such as the lowering of CPF contribution rates for older workers – the issue becomes more significant.

Here's a look at how the changes will hit you and your pocket.

1) MEDISAVE REQUIRED AMOUNT NOW: People who turn 55 currently have to set aside $8,300 as the required amount in their Medisave accounts, before they can withdraw their CPF funds. This is on top of the minimum sum of $94,600 that is required in your Ordinary and Special accounts. If you don't meet the required amount in your Medisave accounts, you may have to top it up by transferring funds from your Ordinary/Special Account balances.

JAN 1: The required amount in you Medisave will be raised to $11,500. It will increase by $2,500 each year until it reaches $25,000 in 2013.

BEWARE: What this means is that you may have less money available for withdrawal when you turn 55. The impact of this rule change should also be seen in the context of decreasing CPF contribution rates as you grow older.

"On a standalone basis, the impact of this (Medisave required amount) policy on the cash withdrawal sum will be minimal, given its gradual implementation and incremental sum of $2,500 per year," said Mr Gilbert Koh, an independent financial adviser with First Principal Financial.

But this policy, together with the other changes, such as increasing CPF Minimum Sum to be set aside and reducing percentage of withdrawals, will have a "greater impact" on the cash withdrawal sum at retirement.

Also, form January 2013, when only the Special and Ordinary Account balances can be withdrawn after setting aside both the CPF Minimum Sum and Medisave Minimum Sum, he said.

Those who had made their financial plans before the latest policy changes were announced could be "slightly disadvantaged", said Mr Leong Sze Hian, president of the Society of Financial Service Professionals.

“The plans may not have taken into account the lowering of salary ceilings or change in contribution rate for older workers. There is a likelihood that members in their late 40s may face a cash flow problem, particularly if they were using funds from their Ordinary Account to fund their housing purchase.”

Members who were looking to invest or use their CPF funds to help pay for their children’s education may be affected by the new policy change, he added.

THE GOOD NEWS: With more money going into one’s Medisave account at age 55, one thing is for sure: There is greater peace of mind when it comes to funding future hospitalisation stays.

“Faced with a greying population and longer mortality rate, the ability of CPF members to meet hospitalisation costs is a real concern. Given that health usually does not improve with age, the probability of being hospitalised due to accident or illness can be expected to be higher as we age. Furthermore, hospitalisation costs can be a big financial drain to an individual who is not adequately insured,” Mr Koh said.

2) HOUSING WITHDRAWAL LIMIT NOW: If you have bought a private property or a HDB flat with a bank loan, you are subject to a cap on the CPF savings you can use to pay off the mortgage.

This cap, called the CPF withdrawal limit, is currently set at 132 per cent of the so-called valuation limit, which is the lower of the valuation or purchase price. For instance, if your home is bought at $650,000 but is currently valued at $600,000, the valuation limit is $600,000. You can fund up to 132 per cent of this amount using your CPF funds. Once you hit it, you have to cough out cash for your monthly instalments.

JAN 1: The cap will be reduced to 126 per cent, and thereafter, by another 6 percentage points to 120 per cent in 2008.

BEWARE: What this means is that at some point in the future, you can expect to pay cash for your entire mortgage instalment. This is especially true in the light of rising interest rates, said Mr Leong.

“Depending on the rising interest rates over the loan tenure, the difference between the original property purchase price and valuation, this point may be reached earlier by some CPF members.”

However, he believes that the change will likely affect the “sandwiched class” more, as this group of people is likely to have used up their two-times HDB subsidised loans, or taken a bank loan when they upgraded, Mr Leong said.

THE GOOD NEWS: Existing homeowners can breathe a sigh of relief, as the revision only affects properties purchased from Jan 1, 2007 onwards, said Mr Koh.

The housing withdrawal limit at the time you buy the house will "apply throughout the loan repayment period and the limit will not change even if the same property were to be refinanced subsequently", he added.

If you intend to buy a property next year using a bank loan, work out your sums carefully.

"They should talk to their financial advisers before committing to a mortgage loan," Mr Koh said.

"Not only will the revised housing withdrawal limit affect how much they can utilise their CPF towards the property, they should also adopt a long term view by taking into account lower CPF Ordinary Account contribution rates and reduced CPF salary ceiling of $4,500."

If you are approaching your 50s for instance, you should know that the CPF Ordinary Account contribution rate drops from 22 per cent to 12 per cent for those aged 50 to 55 years and 10.5 per cent for those between 55 and 60 years old.

"The last thing you want is to unknowingly hit the limit and not have adequate cash reserves to service you property loan," Mr Koh said.

More information is available at http://mycpf.cpf.gov.sg/.

TODAY, Wednesday, 11 July 2007

Letter by Leong Sze Hian

Can fund managers terminate CPF investments now without offering Jan 1 switch?

About six years ago, I invested some of my Central Provident Fund (CPF) money in a unit-trust investment fund, through an online financial adviser in Singapore.

I was suffering a loss when it informed me in September 2004 that it would be closing the fund and offered a free switch to a selection of the same fund manager's funds, so I switch accordingly.

Recently, I received an email informing me that "as advised by the fund manager, your holding has been redeemed due to the current investment holding not meeting the minimum requirement."

I have not broken even on my investment after six years.

Why close the fund, offers me a free switch, and then terminates my investment?

Can fund managers arbitrarily decide to terminate investments by increasing the minimum requirement, when the reason is that the increased minimum was not met because the investment had lost money?

Since I met the minimum required amount when I first entered into the investment, is this fair to me?

After all, I have stuck to the same fund manager throughout.

When the expense-ratio cap is implemented for CPF-approved funds on Jan 1 next year, funds that do not meet the cap are required to offer investors a free switch. When this was announced a few months ago, about 40 per cent of funds did not meet the cap.

By terminating my investment now, is the fund manager not circumventing that requirement?

TODAY, Thursday, 26 July 2007

Letter by Leong Sze Hian

Now, I have to opt out of a charity event

A country club in Singapore has sent a letter by ordinary mail to all its members informing them that $25 will be charged to their accounts as a donation to charity in conjunction with a charity golf tournament.

Unless members choose to opt out by completing an attached form, the letter says that they do not have to do anything.

What if a member did not bother to open the club's mail, or did not read it as it was bundled with the usual assortment of flyers – which is what normally happens with the piles of junk mail which we receive almost daily?

It is bad enough for telephone operators to require subscribers to opt out of new services that are chargeable, which raised an outcry by customers in the media, or having to opt out of credit lines when applying for a credit card. But opting out of a charity donation must be stretching the principle of "opt-out" to the limit.

Shouldn't there be some regulations or guidelines to ensure that we are not bombarded with more and more "opt-outs"?

Will the legal experts or the authorities please advise as to how we can put a stop to this "opt-out" mania once and for all?

Can I opt out of any more "opt-outs"?

TODAY, Monday, 20 August 2007

Article by Christie Loh

CPF savings rate raised

Interest hike by 1 percentage point for up to $60,000, in move targeted at lower, middle income

Over the past eight years, interest rates on your Central Provident Fund (CPF) savings have not budged. Now, your returns are finally going up.

For the first time, the rate hike – of 1 percentage point – is not prompted by movements in commercial deposits rates, but by Singapore's growing retirement needs.

"Our main focus should be to help the lower- and middle-income groups … people who don't have so much money in the CPF," Prime Minister Lee Hsien Loong said last night, spelling out a move that will cost the Government $700 million a year initially.

Just how targeted is the approach?

Look at the cap on the amount of CPF savings that will enjoy the higher rates, said Mr Vasu Menon, chief editor of online bank finatiQ.com. "This is very targeted at CPF monies dedicated for retirement planning and clearly aimed at the masses," he added.

Only the first $20,000 in the Ordinary Account (OA) will receive 3.5-per-cent annual interest; the remaining OA will continue yielding 2.5 per cent. In total, the CPF Board will pay higher rates on a maximum of $60,000 in your combined CPF accounts, that is, OA plus Special, Medisave and Retirement accounts. Currently, CPF pays 4 per cent interest for the non-OA accounts.

"If you have more than $60,000, you should be able to take care of yourself," Mr Lee said to laughter from the audience, adding that such members can use the money to invest.

Lauding the move, Mr Leong Sze Hian, president of the Society of Financial Service Professionals, said there is a growing number of Singaporeans who are not able to meet the minimum sum requirement – now set at $99,600 – and higher returns would mean more having a higher balance when allowed to withdraw their CPF at age 55. As the latest changes are aimed at bolstering the retirement kitty, the monies earning the higher interest cannot be used for investment purposes; only for housing or medical expenses, said Mr Lee. He added that there would be no change to the concessionary HDB loan rate formula, which is pegged at 0.1 percentage point above the OA rate.

However, Mr Leong felt that more would have to be done to help the poor because most of their CPF is tied up in mortgages, leaving little in the system to collect interest anyway.

The current rates have been in place since July 1999, when the CPF Board cut them from the all-time highs of 4.41 per cent for the OA and 5.91 per cent for the Special Account, due to a new formula and a drop in the local lenders' interest rates.

Manpower Minister Ng Eng Hen will deliver a ministerial statement on the CPF changes in Parliament next month.

TODAY, Monday, 20 August 2007

Article by Christie Loh

Annuities compulsory, but tailored to your needs

Concerned that Singaporeans are living longer without sufficient savings, the Government has decided to make "some form of annuity" compulsory for those who are now under 50.

Such a scheme exists in Switzerland but how it will shape up here is being ironed out, said Prime Minister Lee Hsien Loong yesterday. "We want to have some flexibility so that you can have an annuity that is tailored to your needs," he added.

The current voluntary system has been around for years but has gained little traction.

Last year, just 4.1 per cent of CPF members – 2,358 people – opted to buy an annuity when they hit 55, handling over their CPF minimum sum to a participating insurance firm that guaranteed monthly pay-outs until death, so that they would continue to receive an allowance even if their CPF ran out.

Mr Lee attributed the system's unpopularity to unattractive returns and a lack of consumer understanding of annuities.

"It's a good move" to make annuities compulsory, "provided the annuity rates will be higher than the current rates available", said Mr Leong Sze Hian, president of the Society of Financial Service Professionals.

The highest annuity pay-out presently offered is about 29 per cent below the CPF Board's minimum sum pay-out of $790 monthly, he added.

But finatiQ.com's chief editor Vasu Menon said" "Giving people a choice would have been helpful. If I think I can manage my minimum sum in a more effective way … why not?"

TODAY, Tuesday, 21 August 2007

Article by Loh Chee Kong

Jobs for the elderly: The make-or-break factor in grand plan

A day after the Government unveiled its massive strategy to narrow the income gap, including changes to the Central Provident Fund (CPF) scheme, experts have hailed it as a "well-crafted" plan – while pointing out that the make-or-break factor will be in ensuring sufficient jobs for older workers.

To this end, eyes will be on the shaping of the re-employment law to be in place by 2012. In particular, there will be interest in what safeguards might be provided against the exploitation of mature workers.

Prime Minister Lee Hsien Loong had announced a slew of changes to the CPF scheme, including a higher interest rate, deferred drawdown age and compulsory annuity.

This, along with enhancement workfare benefits for those above 55, goes hand-in hand with the push for Singaporeans to work longer.

But also, Cimb-GK economist Song Seng Wun noted, the move would reduce the economy's reliance on imported labour in sectors such as services industry. And with the number of new jobs created consistently outstripping local labour supply, it was prudent to increase the labour participation of women and older Singaporeans.

With this, "the pressure on the younger population to support their dependents diminishes", said Mr Song.

Applauding the measures, labour economist Chew Soon Beng said he "could not see any other way" to address the issues.

But there is a catch.

There is a "possibility" these initiatives could result in a surplus of older workers eager, but unable, to find jobs, said Prof Chew. And they could be caught in a bind of not being able to tap enough from their CPF.

At present, CPF members begin drawing down their minimum sum – at $790 a month – when they reach the age of 62. The arrangement would typically last for 20 years.

Starting 2012, the draw-down age will rise progressively to hit 65 by 2018.

And come 2022, Singaporeans 65 and above would be part of a compulsory annuity scheme, where they would receive a guaranteed lifetime pay-out-albeit a lower sum – until their death.

Lower-income, older Singaporeans who are unable to find jobs could face a resultant "cash crunch", said Mr Leong Sze Hian, president of the Society of Financial Service Professionals.

"First, they are hit by the longer wait to draw out the minimum sum. Second, they are hit by the lower amount of pay-out," he noted. This could put older workers "at the mercy" of their employers when it comes time for re-employment.

While details of the re-employment legislation are yet to be worked out, labour MP Halimah Yacob said the unions would make sure that elderly workers' interests are protected, when negotiating their employers're employment offers. As for those who are not part of the unions, their position "would be no different from any younger person who has to negotiate his employment status".

Nevertheless, she said, one important area of the legislation would be the "enforcement mechanism".

"If there is clear evidence that the employers are paying lip service or that they are just making meaningless offers of re-employment, the Manpower Ministry could step in when it uncovers this during its inspections, or based on complaints from the elderly worker or by others," said Mdm Halimah.

While Singaporeans whom TODAY spoke to were divided on whether they should be trusted to handle their own retirement plans, they agreed the latest initiatives meant they would have little choice but to carry on working into their golden years.

Said office executive Goh Kim Huat, 45: "The problem arises when you can't get a job for reasons such as health issues. If I know now that I can't get a job later on, I would rather get my CPF money earlier."

Supporting the latest measures, Mr Andrew Ng, a part-time real estate agent and taxi driver, felt that Singaporeans "are generally bad at handling money".

The initiatives are a further signal that the burden of looking after the old is shifting onto the Government, he said. Added Nr Ng, 53: "Young people have their own families and higher expenses to cope with. We have to accept that."

TODAY, Wednesday, 22 August 2007

Article by Lee U-Wen

Annuities scheme begins to take shape

If you are a Singaporeans aged 50 or younger, you will have a "small portion" of your Central Provident Fund (CPF) minimum sum set aside for compulsory annuities.

This contribution will be pooled with others and once you hit the age of 85 and your minimum sum is exhausted, the annuity pay-outs will begin – possibly a monthly sum of $250 to $300 – assuring you a financial lifeline until the day you die.

For the first time since Minister Lim Boon Heng hinted that the Government was looking at making annuities compulsory ad Prime Minister Lee Hsien Loong confirmed it on Sunday, citizens have been given an idea of what shape the scheme will likely take.

The actual premium amount has yet to be decided. But Manpower Minister Ng Eng Hen gave the reassurance that a major portion of the minimum sum will still be meant for CPF members to withdraw when they reach the official draw-down age.

Also not fixed: How the money will be drawn out, whether as a lump sum or monthly premiums.

But the tentative plan is to pay out $250 to $300 a month from the time members hit 85 – when the 20-year payouts from the minimum sum cease – until the day they die, said Dr Ng. "I'm trying to protect you for very long life expectancy," he added.

But should one not live to 85, the premium would be used to support others in the pool still alive. You can have the money transferred to your family members instead, but at the price of a higher premium.

Observers say the Government now has to "sell" the scheme to Singaporeans.

"To my knowledge, no country has ever made it compulsory for such a large chunk of the population to contribute to a pool in this manner. Most of us are waiting to see how much the premium will be," said Mr Leong Sze Hian, president of the Society of Financial Service of Professionals.

Minister-in-Charge of ageing issues Lim Boon Heng urged insurance companies to come up with "creative" annuity products.

"They could have variations of life annuities; they could pay the person's estate in case he passes on too quickly after buying a life annuity. If those kinds of products came onto the market, more people would accept the idea of buying an annuity," he said.

Said a group manager from Great Eastern Life: "This compulsory scheme is a chance for insurance companies to 'wake up their ideas'. Annuities are big in the west, but have never taken off in Singapore. The returns on annuities are now averaging just 2.3 per cent … The take-up was poor. Companies should now take advantage of the upcoming demand for annuities and come up with good products with better return, say, 5 per cent."

The Ministry of Manpower is still "consulting widely" on the fine print of the compulsory annuity scheme, such as whether it would be managed by the CPF Board or the private sector.

TODAY, Thursday, 6 September 2007

Letter by Leong Sze Hian

Will peg be for better or worse?

CPF rate, tied to bonds may fluctuate with market

I refer to media reports that the rates of the Central Provident Fund (CPF) Special, Retirement and Medisave accounts will be modified next year.

Many Singaporeans might be wondering whether the peg to "an appropriate long-term bond rate" may result in a higher or lower average rate, compared to the 4-per-cent rate for the three accounts will no longer be guaranteed?

What is the basis for the statement that "the new rates will be lower initially than the current 4 per cent, but it should do better than 4 per cent over time"?

Bonds fluctuate and are dependent on various factors such as interest rates and default risks. There is no guarantee that in the future, these bonds "should do better" than the present.

Why give 1 per cent more on the first $60,000 in the CPF and then announce two days later, that the 4-per-cent rate for the three accounts will no longer be guaranteed?

Half of all working CPF members have $45,000 or less in their CPF accounts. I would like to know how much of the $45,000 that is allocated to the three accounts are affected by the rate change, compared to the portion that is eligible to earn the extra 1 per cent?

Has any study been done to estimate the net effect on CPF members? Will most Singaporeans be better or worse off?

TODAY, Tuesday, 11 September 2007

Letter by Leong Sze Hian

Annuities: Who will be exempted?

Will lower income be the only ones left to buy annuities?

I refer to media reports that perhaps not all Singaporeans will need to buy compulsory annuities when they turn 55 years old.

Those with chronic disease may be excluded, since they may not live long enough to enjoy the life insurance payouts. This was a possibility raised by the Minister in charge of ageing issues, Mr Lim Boon Heng, in response to a question raised at a seminar organised by the Community Development Councils on Sunday.

In a recent announcement that Medisave will be made available for the treatment of more chronic illnesses, the Ministry of Health estimated there are about 1 million people with the four chronic illnesses – diabetes, high blood pressure, high cholesterol and stroke.

Does this mean that a rather large number of people may be exempted from buying the Central Provident Fund (CPF) compulsory annuity?

For example, studies in the United States and the Netherlands have found that high blood pressure at the age of 50 shaved five years off one's life.

Mr Lim also remarked: "There are also some people who are already buying annuities – do we need to have double coverage? The answer obviously is 'no'. So those who are adequately covered and the policy which they bought fulfils a certain requirement may also be exempted."

Currently, hardly anyone buys an annuity before age 55 because I believe most insurance companies does not sell them to people at a young age.

So, is the Minister referring to those who already have a life insurance policy with cash values that can be converted to a life annuity? Will we see insurance companies coming out with new life annuity plans for people below age 55?

Maybe some people might like to buy a deferred age 85 life annuity whenever a child is born, as the premium will be extremely low since the pay-out will only occur if their child is alive 85 year later. I estimate the one-time single premium for such an annuity to be less than $200.

The original intention was to get Singaporeans from all walks of life to share in the pooling of risk.

Now, is it possible that more affluent Singaporeans with, say $3,000 of life insurance policy cash values at age 55 may be exempted from the compulsory annuity?

Would those who buy them come mainly from the lower-income group?

It is this group who would have less in their CPF Minimum Sum and thus find the premium less affordable, resulting in even lower CPF withdrawal amounts at age 55 and from 65 to 85.

Taking these into consideration, have any studies been done to show whether the life expectancy of the lower-income may generally be lower?

TODAY, Monday, 17 September 2007

Article by Cheow Xin Yi

Will new bond peg end up 'hurting the old'?

It is designed to enhance the retirement nest egg, but if market conditions have their way, some economists and finance professionals wonder how re-pegging Central Provident fund (CPF) interest rates to government bonds will help the older generation.

In a recent market weekly report, Citi economist Chua Hak Bin mapped out a scenario in which the younger generation may benefit, but the older generation may get lower returns than now, if their Special, Medisave and Retirement Accounts (SMRA) are pegged to a long-term bond.

The 10-year government bond has a current yield of 2.8 per cent compared to the SMRA's 4-per-cent guaranteed rate, he said. The Ordinary Account (OA) attracts an interest of 2.5 per cent.

Going by this, he calculated that younger individuals with a CPF account of $20,000 in their OA and $40,000 in SMRA would earn an effective interest rate (weighted average) of 3.7 per cent, or $120 more a year, compared to the current 3.5-per-cent effective rate.

The calculation includes the 1 percentage-point additional interest the Government plans to give on the first $60,000 in CPF accounts – up to $20,000 in the OA and the rest in the SMRA.

Still, an older cohort with the Minimum Sum of $99,600 in their SMRA and $20,000 in their OA would earn a lower 3.3 per cent, or $590 less a year, with the bond peg, Dr Chua calculated.

This is because a lower long-term bond yield could dominate the 1-percentage-point interest rate for those with larger sums in their SMRA.

Individuals who previously transferred their savings into the SMRA from the OA would also see the interest rate gap narrow substantially under the new peg.

"Not everybody will benefit. The younger generation benefits as they have only started to save and would most likely put their savings within the first $60,000. But if you are of the older generation who would have a larger proportion of your CPF savings in the SMRA, rates there are actually lower in the long run. Ironically, you are hurting the older generation you are trying to help," Dr Chua told TODAY.

A recession or financial crisis could also bring down the SMRA interest rate.

Manpower Minister Ng Eng Hen, who will explain in Parliament today how the Government will re-peg the CPF interest rates, said last month that the new SMRA rate will be lower initially, but should do better over time.

Economists have told TODAY they expect Singapore government bonds to be the reference point, while Society of Financial Service Professionals president Leong Sze Hian expects rates to be pegged to a composite benchmark of two or more indices, such as part Singapore bond index and part global bond index, to give higher returns.

Most, however, are sceptical about the chances of yields crossing the 4-per-cent threshold over time.

"I don't think pegging CPF to a government bond will get high rates above 4 per cent, at least until the end of 2008," said Mr Alvin Liew, former economist at UOB Treasury Research.

With long-term bond yields generally dependent on the outlook of the economy, which grew at 7.9 per cent last year, there are questions about whether Singapore's medium-term economic growth estimate of 4 per cent to 6 per cent can sufficiently bump up yields.

Mr Leong added that bond rates fluctuate and depend on various factors like interest rates, expectations and default risks. "There is no basis for saying that the rate is going to be higher in the future. The fact is, nobody knows," he said.

Besides the impact on older folks, if rates are lower, it might cause a shortfall in Medisave accounts. Said Mr Liew: "In recent months, you have seen healthcare costs going up quite substantially in the Consumer Price Index. The lower-income group will be more affected by lower returns."

Sharing the same concerns, Member of Parliament Ong Kian Min said that, historically, CPF members have enjoyed guaranteed returns regardless of how the economy performs. This move marks a fundamental shift.

"Investing in bonds may subject CPF savings to lower rates. This can only be a good start provided the Government also considers, in future, investments other than bonds that may yields a higher return," he said.

There are some of the questions and suggestions the Manpower Minister will have to address today.

TODAY, Tuesday, 18 September 2007

Article by Lee U-Wen

Flexi-approach is what's needed

Public concerns noted so committee to be set up to study longevity insurance

The idea of "longevity insurance" makes much sense for Singapore's rapid ageing society. But add an element of compulsion to it, and many start viewing the proposed annuity scheme in a less favourable light.

In a tacit acknowledgement of public concerns over the plan, the Government has given its strongest indication yet that it would adopt a flexible approach in implementing the National Longevity Insurance Scheme.

Manpower Minister Ng Eng Hen told Parliament yesterday that a new committee would be formed to study how best to roll out the scheme. Dr Ng said the Government recognises that each Central Provident Fund (CPF) member has different needs when it comes to saving for their old age.

"We should be flexible in accommodating the different circumstances of members, and offer different ways to provide for their full life-expectancy.

"He can do this either by buying longevity insurance or by stretching out his RA (Retirement Account) money to last longer and so reduce the need for longevity insurance. So long as he has provided for his old age, and will not run out of savings prematurely, we should be satisfied," said Dr Ng.

The Government, he said, had received feedback from many members of the public since the annuity scheme was first announced by Prime Minister Lee Hsien Loong during his National Day speech last month.

Some younger Singaporeans say they want to come on board earlier because it is cheaper to do so. Others who are older want to be included because they have no dependents.

Then, there are those who do not want to be included because they have dependents that are able to take care of them or have other savings apart from their CPF.

"They want the balance of their RA to go to their dependents when they pass away," Dr Ng said.

Under an annuity scheme, a person invests a lump sum with an insurer, which then pays out a monthly sum for life. In his Rally speech, PM Lee had said annuities would be compulsory for CPF members below 50.

The plan is to have a member buy an annuity when he turns 55, using a small portion of his Minimum Sum. This guarantees him a monthly pay out of about $250 to $300 after his Minimum Sum is exhausted at age 85.

The scheme's controversial element is that it forces a CPF member to lock up part of his CPF savings to buy annuity – and his family will not get the money back even if he dies before 85.

Mr Leong Sze Hian, president of the Society of Financial Service Professionals, welcomed the Government's signal that it would be open to all suggestions relating to the scheme. "I'm glad there is this flexibility. I also hope more emphasis will be placed on helping the lower-income."

Heading the new annuities' committee will be National Wages Council chairman Professor Lim Pin, who will work with experts from unions, the academia, and grassroots and non-governmental organisations.

Their report is expected to be ready within the next six months, said Dr Ng.

He also told Parliament that the Government is set to rise the drawdown age of the Minimum Sum – from 62 years now to 63 years in 2012; 64 in 2015; and 65 in 2018. It will eventually be raised to 67.

To help those affected by the later drawdown age, the Government will pay CPF members a one-off deferment bonus (D-bonus) or voluntary bonus (V-bonus). (See table). These one-off bonuses will cost the Government $1.2 billion.

"We expend considerable resources every year to help Singaporeans work longer and improve their retirement savings," said Dr Ng.

TODAY, Friday, 1 February 2008

Article by Loh Chee Kong

Fancy a 'lifelong income scheme'?

What was floated as a risk-pooling annuity – which families will not get back if members fail to live beyond 85 years – could now turn out to be a refundable "lifelong income scheme" that starts dishing out monthly payments to members from the age of 80.

The reasons? Singaporeans do not want their money to fall into others' hands, and they do not believe they will live until 85.

Even the proposal's original title, "National Longevity Insurance Scheme", has gone out the window, to be replaced by what will now be known as the "National Lifelong Income Scheme" – and subject to the Government's green light, it will be managed by the Central Provident Fund (CPF) Board.

Professor Lim Pin, who chairs the committee tasked to craft the nuts and bolts of the plan, said: "The title, 'longevity insurance', does not give a positive connotation of longevity, right? If you die early, you'll lose out. Now, we've thought out a new name … Who doesn't want a lifelong income?"

He was speaking to journalists on Wednesday, in offering a sneak peek into his committee's recommendations submitted to the Government. The full recommendations will be unveiled on Feb 12, just ahead of Budget Day.

After more than four months of formal feedback gathering from some 600 people – on an emotive policy the Government acknowledges is a tough-sell to the masses – Prof Lim said two main issues stuck out.

One is the scepticism that one in two Singaporeans would live beyond 85, the hard statistics notwithstanding. Prof Lim said lowering the starting point for pay-outs to a "compromise" age of 80 would make it "easier" for people to accept the scheme.

He also noted, experts have also found "no robust data" to support the perception that the rich live longer and thus, should pay higher premiums.

Currently, CPF members can depend on pay-outs from their Minimum Sum until they reach 85. But should the Government accept the suggestion to allow annuity pay-out from age 80, Singaporeans hitting 55 could choose the age at which they actually want to start receiving the monthly annuity payments, said Prof Lim.

Those already above 55 when the change kicks in would be allowed to opt in, but at a higher premium.

The second issue involved calls for refunds to be paid to the next-of-kin, should members die before reaching 85. "Refund-ability was a very important point," said Prof Lim, attributing this to the "Asian culture that you have to leave something for your family".

Without going into details, Prof Lim gave the assurance that families could get back the capital sum in the event of an early death. And should the member choose to forego the refund option, they could get a larger monthly pay-out.

Currently, some insurers offer refunds in their annuity schemes. For example, an NTUC Income customer can choose a "capital protected annuity" where the balance of the capital sum, minus monthly payments, is refunded to the next-of-kin should he dies early. Only the interest earned is then left behind in the pool.

For the national scheme to provide a full refund, former chief executive of NTUC Income Tan Kin Lian estimated that the cost "will increase by 30 to 50 per cent".

Nominated MP Kalyani Mehta said it would be "reassuring" to Singaporeans for CPF to run the scheme, and "lowering the age to 80 would give people a better chance of enjoying the pay-outs".

But Society of Financial Service Professionals president Leong Sze Hian felt the recommended tweaks to the annuities plan did not address his basic worry: Whether the national scheme, given the more attractive annuity products on the market that the better-off can afford, would end up serving "a pool of poor people".

Point out how previous CPF plans, such as the Dependent and Home protection schemes, ended up being privatised or as poor cousins of financial products on the market, Mr Leong suggested the Government directly aid this group, who "already don't have much money in their CPF account in the first place".

Associate Professor Mehta concurred that she could "see the lower middle-income group struggling to get involved" and "how they can be facilitated to be part of the annuity plan is the biggest challenge ahead."

Inflation is another worry, said Mr Tan: "Many people consider the pay-out of $300 to be inadequate for today's cost of living. In 30 years' time, this sum will be so much smaller to serve the needs of the elderly at that time."

Still Prof Lim had little doubt the public would be receptive. "Initially, there was unhappiness: the Government taking my money to do something else, things like that … all sorts of wild talk. Now we are saying we are ensuring you a lifelong income – that's a very big undertaking."

TODAY, Thursday, 14 February 2008

Article by Loh Chee Kong

Get more out of Life

Take a bet on how long you'll live with CPF Life

At first glance, it seems like a no-brainer: Get as much money out of the new CPF Life scheme as fast as possible.

After all, like anyone else who is young and healthy, I have no idea when the Grim Reaper or a chronic illness might strike.

And should I choose to start my annuity pay-outs at age 65 under the refundable premium option – the Refund 65 plan – I would get a higher monthly payment than under the default Refund 80 plan.

The difference would be at least $40, assuming I have more than $67,000 in cash in my Retirement Account (RA) when I turn 55. This hardly an eye-popping disparity but then, as many would shrug and say, why turn down the extra cash?

As for whether to choose a refundable or non-refundable scheme, well, it all boils down to whether you have beneficiaries and if you want to leave money for them.

But wait. If, like me – or most of the lay people I've spoken to – your immediate instinct is to jump at the Refund 65 plan when it is your turn to choose, consider the following first.

Should you die just before your 65th birthday, your beneficiaries could lose out on more than $32,000, in comparison to what they would have gotten had you opted for the default Refund 80 plan, for instance.

Thanks to the Government's announcement last year on an extra 1-percentage-point interest on CPF savings, between now and 2013 when the new annuity scheme kicks, CPF members who have $67,000 in cash in their Minimum Sum account can draw out $710 monthly sum from age 65 to 85 – as compared to $600 under the old interest rate.

With the help of Society of Financial Service Professionals president Leong Sze Hian, these are out calculations for the new scheme based on the available information: Assuming you have $67,000 in cash in your RA and you sign up for the Refund 65 plan, your entire RA would go into the refundable premiums pool.

If you die before turning 65, the premiums would be fully refunded to your family – in other words, they get back $67,000 exactly.

But had you opted for the default Refund 80 plan instead, where only 24 per cent of your RA goes into the refundable premiums, your family would get $99,023 (that's $16,080 from refundable premiums, plus $82,943 from you RA including the 5-per-cent compounded interest earned since age 55).

In all, that's a hefty $32,023 more.

So, should you now shoot for the other end of the CPF Life spectrum, that is, the Refund 85 or 90 plans, to maximise the benefits to your loved ones?

Here's another variable to consider. Under the Refund 65 plan, if you die a month after turning 65, your family gets back $66,350 (some 99 per cent of your premium).

Under the Refund 90 plan, if you die one month after turning 90, your family gets back $3,460 (86 per cent of your premium, which would have been very low to begin with).

And if you have a Refund 75 plan and die a month after your 75th birthday, your family receives $26,840. Notably, should you die at 75 or 90, but you have a Refund 65 plan, your family would get nothing as your pay-outs would have exceeded your premium.

Your family also does not get back anything that may be left in your RA should you die after annuity payments start.

In short, to put it crudely, it's like take a bet on your life span.

In Mr Leong's view: "If you don't manage to cross the starting age for pay-out, you are worse off taking an earlier pay-out. If you manage to cross that age, you are better off taking an earlier pay-out."

My personal choice? I'm a risk-taker.

Which means that, in 28 years' time when I turn 55, and if I'm still hale, I would choose the Refund 65 plan and spend the next decade praying hard – and staying healthy – to ensure I live past my 65th birthday. As for my beneficiaries, I'm sure they wouldn't fault me for leaving nothing behind by living longer.

TODAY, Thursday, 14 February 2008

Related article by Loh Chee Kong

Most would opt for pay-outs from age 80

The range of options offered by the impending CPF Life scheme may be dizzying for some, but to Manpower Minister Ng Eng Hen, the reality is "simpler than what it's made out to be".

In fact, come 2013 when the scheme starts, he believes "70 to 80 per cent" of eligible CPF members would choose the default plan of starting their pay-outs at age 80.

Apart from getting to decide if they want to start their plan at age 65, 90 or any of four points in between, members can choose to have refundable premiums or not.

At a press conference yesterday, Dr Ng predicted very few people – those without any beneficiaries – would contemplate the non-refundable option.

As for when to start pay-outs, he said: "The Refund 65 plan is meant for the very small group who have lower balances and feel that they want higher pay-outs … I don't think the Refund 90 plan will be a popular option either, people would feel it's too far off."

Over time, just "two or three" choices would emerge. And if the plan some members have in mind is too unpopular to be financial viable, they could be asked to join any of the other plans.

Over the next few years, the CPF Board will have to boost its capabilities to operate the scheme on par with commercial insurers, Dr Ng noted. And to educate members, the board would distribute simple handbooks in the four languages, as well as provide an online tool to calculate the financial implications of each of the options.

Those whom TODAY spoke to said they needed more time to digest the “complicated” scheme, although they liked its look so far.

Computer engineer Tan Siew Lian, 46, who is diabetic, said: “I would want to start getting my pay-outs as soon as possible. With diseases, you just don’t know how long you can live.”

Remisier Jimmy Ho, 51, who will be offered the choice to opt into CPF Life, said he might start pay-outs at age 70 “because by then, I think I would be out of work”.

The Government’s initial floating of a non-refundable annuity scheme offering pay-outs from age 85 had met with strong public resistance. Dr Ng said this was expected. “We wanted people to be shocked that they would be living for so long … and then just gently reinforce the messages,” he said, adding that the refundable option “was always on the table”.

The Government would also consider whether to give a one-off incentive to help those with less than $40,000 in cash in their Minimum Sum to join the scheme.

TODAY, Weekend, 14~15 February 2009

Article by Esther Ng

Tighter criteria starting May 1

Financial experts give mixed reactions to change

From May 1, the threshold of the CPF Special Account (SA) will be raised from $20,000 to $30,000.

This means members can only invest amounts in the SA in excess of $30,000.

Existing investments will not be affected and the restriction on the first $20,000 in the Ordinary Account remains unchanged.

“Given the higher interest rate on the SA and the uncertainty of CPFIS returns, it is better to be more conservative,” said Acting Minister for Manpower Gan Kim Yong in Parliament on Friday.

The CPF Investment Scheme (CPFIS) allows CPF members to invest a portion of their savings in a wide range of investment products.

Since April 1 last year, the CPF Board has paid an extra 1 per cent in interest on CPF accounts – 3.5 per cent per annum for the first $20,000 of savings in the Ordinary Account and 5 per cent per annum for the remaining $40,000 in the Special, Medisave and Retirement Accounts.

The new threshold has drawn mixed responses from financial experts interviewed by Weekend TODAY.

Mr Leong Sze Hian, president of the Society of Financial Service Professionals, said the new limit would make it harder for people to invest. "As it is, quite a number of people don't even have, or will have trouble fulfilling, the required Minimum Sum in the CPF accounts.

"Yet, there is a greater need for people to grow their money for their old age, but this new ceiling might delay their ability to invest slightly longer," Mr Leong said.

However, Financial Alliance's managing director Vincent Ee felt the new ceiling would not cause much grief to investors as "people who have suffered losses are not investing". He added: "Maybe when the market picks up, they may question the ceiling. But $30,000 is not a lot – we also advise our clients to keep a certain amount in CPF as it is a safe form of asset."

MP for Ang Mo Kio GRC Inderjit Singh, who is also a businessman, agreed. "The best of investors have lost a lot of money outside, so this new ceiling safeguards more of members' money."

Meanwhile, from Jan 1, 2011, all funds under the CPFIS that have been around before 2006 will have to follow the rules introduced in that year for new investment funds.

Under the 2006 rules, a fund's relative rating, track record and expense ratio are all taken into account before it can be included under the CPFIS.

Education

Today, Friday, 8 November 2002

Letter by Jessica Tan

To what degree?

When ‘upgraded’ qualifications do not matter

We have heard a lot about the push for workers to embrace lifelong learning for lifelong employability.

The Government, unions and employers share the view of the advantages of a trained workforce. They advocate continuous learning and training for a versatile and competitive workforce as the key to sustaining a knowledge-based economy.

With all the publicity on the importance of lifelong learning, some people have become convinced of the value of obtaining higher educational qualifications. They enrol in programmes with the hope of finding better jobs or getting higher pay upon obtaining the paper qualifications.

Most of these older workers, for one reason or another, did not take the traditional route of completing their tertiary education. Some of them might not have done well enough to secure places in our universities.

Many are now enrolling at reputable universities. Since they still have to work, studying part-tie is the only avenue for them.

Employers, however, look for the brightest and youngest. Many workers who “upgrade” their qualifications find it difficult to compete on an equal basis with fresh graduates.

Will the Civil Service, the largest employer in Singapore, set an example by showing that there is indeed value in adopting this spirit of lifelong learning?

For graduate entry-level jobs, it seems that the Civil Service still shortlists candidates based on A and O Level/diploma results, even though the candidates have obtained tertiary educations. This being the case, workers who have “upgraded” their qualifications tend to lose out to those who are fresh out of university, since the latter are likely to have better O and A Level results.

If working experience counts, then workers who have “upgraded” their qualifications should at least be given a chance to get better jobs. However, owing to limited vacancies, the convenient method of shortlisting is to disregard the older candidates and those who have poorer A/O Level/diploma results.

This sends a conflicting message. On the one hand, the Government advocates lifelong learning so that the people can adapt to a changing world. On the other hand, the Civil Service is not extending equal employment opportunities to workers who have “upgraded” their qualifications.

In addition, the Civil Service seems to prefer candidates who obtained their degrees through full-time rather than part-time programmes.

So, is it worthwhile for workers to take the initiative and “upgrade” their qualifications?

What is baffling is that those who do so are not given due recognition for their efforts. They are, instead, marginalised.

There is little purpose to lifelong learning if the learner’s new qualifications do not help him get a job. If this is reality, it would make more sense for people to improve their qualifications only when the Government offers incentives, that outweigh the time and expense involved in obtaining a degree.

Today, Friday, 15 November 2002

Letter Leong Sze Hian

Not just learn and earn

I refer to Ms Jessica Tan’s letter, “To what degree?” (TODAY, Nov 8).

According to a study by Commonwealth Department of Education Science and Training, Australia, a male graduate earns $622,000 more during his lifetime than a non-graduate.

As more employers and human resource people pursue life-long learning, the acceptance of part-time degrees and qualifications will increase.

Life-long learners may even have an advantage in the sense that they have shown perseverance and the ability to balance work and study.

Life-long learning has many benefits beyond getting a higher-paying job, improved job performance, greater self-knowledge and a broader perspective.

Singaporeans should view life-long learning as an attitude rather than a means to an end.

Today, Thursday, 23 January 2003

Letter by Leong Sze Hian

Teach financial planning in schools

I would like to suggest that our schools start teaching financial planning to our children.

In the United States, the National Endowment for Financial Education's (NEFE) High School Financial Planning Programme (HSFPP) was initiated as a public service to increase the financial literacy of America's youth.

The HSFPP is offered by the NEFE in partnership with various agencies. To date, programmes have been offered to over 2.5 million students.

The programme is strictly non-commercial in content and does not promote financial or other products.

To quote the NEFE: "Through an increased understanding of personal financial issues, all Americans can enjoy better, more secure, and more satisfying lives."

Perhaps, non-profit organisations in Singapore can initiate similar programmes.

Today, Thursday, 7 March 2003

Article by Lee Ching Wern and Grace Tay

Schools are ordered shut

For the first time since the polio outbreak of the forties, as Sars claims two lives in Singapore

The Ministry of Health insists that there is no need to panic. And from a purely medical perspective, there are no grounds to close all schools and junior colleges for the next 10 days to ward off the dreaded Severe Acute Respiratory Syndrome (Sars).

But fear has a logic of its own and even a Government like Singapore's, which is not known to bow to public pressure, was forced to take this dramatic step just to give parents – in the words of Education Minister Teo Chee Hean – "peace of mind".

The measure was announced as Singapore saw its first two deaths from the mysterious virus that has been zipping around the world, creating little pockets of terror. Five new cases were reported here, bringing the total number to 74.

Considering that just three children – all siblings – have been infected so far, and six others are on the suspected list, the decision to keep 600,000 students away from school and JCs till April 6 appeared something of an overreaction.

In fact, the MOH and the Ministry of Education (MOE), which decided to announce the measure jointly, were the first to admit that ground realities did not warrant it.

But the Government appears to be caught in a bind. While it has taken steps to isolate the victims and quarantine the 861 people who have come in contact with them, the very nature of the virus is such that no one quite knows whom it will hit.

Parents worry that their children could be at risk if they come in contact with any of their schoolmates returning from holidays in affected places like China or Hong Kong. While that might be unlikely, there appears to be no guarantee against it.

So, the Government has gone ahead with this plan – which creates its own unique set of problems and contradictions.

For example, polytechnics and Institutes of Technical Education will remain open while JCs will be shut. Mdm Teo tried to explain that this was because they had a different system of education and the students were older and better able to understand the situation and take precautions.

But while older poly students might be as old as their peers in the universities, the younger ones were of the same age as students in JCs.

While there is no ready formula to make a measure seem fair to everyone, this touched a raw nerve among some.

"Does it mean that we can be exposed (to the virus because we are not that important?" asked Lily Tham, 19, Ngee Ann Poly student.

Janice Liu, 18, from the same polytechnic, pointed out another contradiction. "I have a brother and sister in secondary and primary school. What if I get infected and take the virus to them? How safe will they be then?"

Perhaps, there is no clear answer to these questions because – as the ministries stressed – the closure was not called for in the first place. But once the measure was announced, there was no way to stop the torrent of comment.

Extending Janice's argument, some parents, who will still have to go to work, pointed out that they, too, could infect their children.

After all, many more adults than children have been hit by the virus.

Also, keeping the children at home might not guarantee safety. In Singapore, a country of working parents, many will have to make alternative arrangements for their children to be cared for.

The Government has encouraged employers to let such parents take urgent leave, but at a time of rising job insecurity this might not be an easy option for some.

In theory, the children who stay at home are not supposed to mingle with others – but try telling that to a hyperactive 10-year-old. If cavorting at school with classmates is replaced by frolicking in void decks with neighbours, then the purpose of the exercise could be defeated, some parents pointed out.

The only ones smiling are some children. Oblivious to the danger, they looked forward to an extended vacation.

"No homework. It's even better that school holidays," said the mother of a 14-year-old about how her son was taking it.

He might smile less broadly once he learns that school terms will be extended into the June holidays to make up for the lost time.

But jokes apart, some experts feel that the measures that appear excessive right now might ultimately be seen as merely pragmatic. Two deaths – one pastor and the other of the father of one of the first three Singaporeans women to come in contact with the virus in Hong Kong – is no small matter.

"There doesn't appear to be a crisis yet," said Dr Constance Chay. But she agreed it could erupt into one.

For example, Health Minister Lim Hng Kiang said that while it was not possible to ban people from travel to affected countries, they should do so only if strictly necessary.

Dr Chay felt travel advisories were not enough for people who travelled to these countries.

"They should be made to go for medical check-ups within the week they are back so that they won't spread the disease unconsciously," she said.

Today, Friday, 3 October 2003

Article by Derrick A Paulo

Tharman doctrine

Changes in education, but how fast?

First, it was the Acting Health Minister Khaw Boon Wan who prescribed some changes to the institutions under his charge. Now, Acting Education Minister Tharman Shanmugaratnam is attempting to do the same.

All eyes were on Mr Tharman at the Ministry of Education's (MOE) Work Plan Seminar yesterday as he outlined his ministry's main thrusts to meet the challenges of a fast changing world.

But while changes are certainly afoot, they will not be felt as quickly as those in the health sector – where hospital charges are already falling and billing has become more transparent.

Take for example the proposed broadening of school ranking to include measurements other than academic results - one of the six initiatives announced by Tharman yesterday.

He acknowledged that ranking are "not the most popular of educational instruments".

"We should not confuse rankings with our goal in education … The ultimate measure of success in education is how well our students eventually meet the demands and challenges of the real world," said Mr Tharman, who assumed his post on Aug 1.

But at the same time, rankings do have a salutary effect on schools, he argued.

"If we do not try to measure and compare education outcomes, we will deny schools an important source of information for active reflection and improvement."

His solution in trying to reconcile an unpopular yet useful instrument: Getting a committee to "review and broaden" it. The recommendations will be ready next March.

Some may call the initiative as a case of too little, too slow. But according to educationist Professor Kirpal Singh, the problem in reforming our education system stems from the "baggage of success" that the current system has had in training the workforce.

That is why he called the six initiatives as "bold and courageous".

Others felt that while the strategy spelt out by Mr Tharman was bold in vision, it was short of specifics.

"I think it all sounds very good but I wonder how fast the MOE can go," said Mrs Carmee Lim, executive director of the Academy of Principals. "Now, it's all in a document but how do we translate it to action in the schools?"

One initiative that Mrs Lim applauded was the review of the Normal (Technical) or N (T) curriculum, the first in 10 years since the course was introduced.

The new direction would focus more on group work, presentations, creative activity and the use of IT, or what Mrs Lim called "constructivists learning", where pupils take charge of their own learning.

Mr Tharman also said that "alternative assessment methods to pen-and-paper tests are being explored for N (T) pupils. Those with relatively strong abilities in certain areas will be able to take one or two Normal (Academic) subjects.

Ms Angela Jean Anthony, who topped the national N (T) cohort two years ago, welcomed the moves. She also hoped that the flexibility being injected into the system would eventually allow N (T) students to be able to opt for the O levels at a government school.

In mapping out his vision, Mr Tharman also did not forget the teachers, whom he described as "critical in everything we want to do in instilling a spirit of innovation and enterprise in schools".

Teachers will soon be given more opportunities to gain experience outside the school by leveraging on the existing Professional Development Leave Scheme.

They will be able to use the scheme to go for industrial attachments, or for working with the community. And the MOE will offer full pay of up to four weeks if they should embark on their attachments during the school holidays.

The announcement was good news for Mr Chew, 27, a junior college teacher. "It's great opportunity. It's what I worry about – losing my relevance – if I stay too long in the service."

But Mr Cheng, a secondary school teacher, was doubtful many teachers would sacrifice their vacations to take up the offer.

It is hesitance such as this that worries Mrs Lim, who said the new initiative was something that should have been implemented a long time ago.

"If the teachers don't see (the need to change), if the principals don't see it, how do we change the system?"

TODAY, Friday, 23 July 2004

Letter by Leong Sze Hian

High fees at libraries

How much is NLB making from Internet, printing services?

The national libraries charge three cents per minute ($1.80 per hour) for Internet use and 30 cents per page for printing from their computer terminals.

The cost of printing in black and white on a laser printer is only about two cents per page. Why does the National Library Board (NLB) charges 15 times that?

The cost of a subscription for unlimited broadband Internet access is about $60 a month. If the computers at the libraries are used just a third of the time during opening hours, the monthly revenue pe terminal is about $216 ($1.80 x 4 hours x 30 days).

On my visits to various libraries in the evenings and on weekends, the Internet access terminals tend to be in use constantly. I wonder how much revenue the NLB collects in a year for Internet access and printing services, relative to the cost of providing such services.

Under the e-citizen initiative, the target is for 80 per cent of transactions with government bodies to be done via the Internet.

Since statements can be printed at the CPF Board at no charge, someone who wanted to print the many CPF statements for himself and his spouse would be wise to print them there, rather than pay 30 cents a page at the library.

I understand that in countries such as the United States, Internet access at most libraries is free and printing is subject to a nominal fee.

Is there anywhere in Singapore where free Internet access is available for transactions with government bodies? In the case of the CPF Board, access is free only for CPF-related transactions.

In order to facilitate the e-citizen initiative, I urge the NLB to provide Internet access and printing services at cost or at a subsidy.

Perhaps more Singaporeans will embrace the use of the Internet if public access is low-priced or free.

TODAY, Thursday, 29 July 2004

Reply by Jasna Dhansukhlal (Ms)

Manager, Corporate Communications

National Library Board

Fees cover library's cost

Charges help moderate usage, allow access to more people

We refer to Mr Leong Sze Hian's letter ("High fees at libraries", July 23) and would like to clarify that the multimedia stations provide library patrons with more than just Internet access.

These stations offer access to the NLB's Digital Library, which has a host of value-added information services, including access to online electronic databases to which the National Library Board (NLB) subscribes.

Among the offerings are Grolier Online for encyclopaedias, Careerlink for job information and opportunities, Factiva for news and business information and netLibrary for academic and reference-based full-text electronic books, videos, CD-ROMs and Singapore Pages research packages.

These information services are in addition to the convenience of Internet service provided at a low fee of 3 cents per minute.

Fees levied are on a cost recovery basis – for the equipment maintenance and utilities. The fees charged also helps to moderate usage among our library customers, allowing more people to access these services during the library's opening hours.

Mr Leong may be pleased to learn that subscription fees to the databases, e-book collections, video and CD-ROM streaming materials are absorbed by the NLB. Hence, access to these e-content materials in the Digital Library via the multimedia stations is free.

Not all of the information services provided by the NLB are chargeable. The Digital Library service is also available online at www.nlb.gov.sg/dl, accessible from home, school or the office. It offers free access to some of the electronic databases.

Similarly, the printing services available at the libraries – at a charge of 30 cents per page – are on a cost recovery basis, taking into account the manpower, material and equipment costs.

The Government has also put in place the eCitizen Helper Programme. This is at joint collaboration between the public, private and people sectors to reach out to people who do not have easy access to a computer or do not know how to use the government services on the Internet.

There are 22 eClubs run by the People's Association, two Office 1 outlets run by NTUC FairPrice and 10 Big Trumpet outlets run by NTUC Income under this programme.

Members of the public can visit these outlets to get free access to the Internet to perform online government transactions. There are also helpers on hand to provide assistance. Printing of documents, such as CPF statements, is available at a nominal fee.

For more information on the location of these outlets, please visit the eCitizen website at www.eCitizen.gov.sg.

We thank Mr Leong for his feedback and assure him and our library customers that in support of lifelong learning, we provide and will continue to offer a wide variety of information services at affordable rates.

Members of the public who have any feedback on our library services can contact the Quality Service manager at 1800 332 3370 or email us at gsm@nlb.gov.sg.

TODAY, Wednesday, 4 August 2004

Letter by Leong Sze Hian

The inconvenient eClub initiative

I refer to the National Library Board's (NLB) reply, "Fees cover library's cost" (July 29). It states the public can get free Internet access at the 22 eClub run by the People's Association to perform online Government transactions.

The eClubs were established to promote the eCitizen initiative. I went to eClub Ang Mo Kio, the nearest to my home, but the opening hours were only from 2pm to 6pm, Monday to Friday.

So, I tried eClub Jalan Besar, which opens from 2.30pm to 6pm and 7pm to 9.30pm, but only on Mondays, Wednesdays and Fridays.

I was told eClub Marine Parade has much more convenient hours from 9 am to 9 pm, from Thursday to Tuesday.

To join eClub Marine Parade, one has to pay an annual fee of $30, for Internet access at $1 an hour. Alternatively, a non-member could surf at higher rates of $1.50 and $2.50 during off-peak and peak hours, respectively.

The peak-period fee for non-members is higher than the library's $1.80-per-hour fee. The $30 membership fee entitles one to the lower rate access only at Marine Parade, not any other eClub.

No wonder Singaporeans who cannot afford broadband Internet access or a computer are going to the libraries, which have no annual membership fees; offer the convenience of access at any library branch; and have long opening hours every day of the week.

TODAY, Weekend, 14~15 August 2004

Reply by Adlina Jaffar (Ms)

Head (Public Affairs Office)

For Chief Executive Director People's Association

eClubs free only for govt transactions

I refer to the letter, "The inconvenient eClub initiative" (Aug 4) by Mr Leong Sze Hian.

The People's Association would like to clarify that under the eCitizen Helper Programme, members of the public may visit any of the 22 eClubs at the Community Centres/Clubs to perform online government transactions free-of-charge.

This is just one of the many services and programmes offered by the CC eClubs, whose main function is to organise IT courses and activities to support the Government's IT literacy programmes.

The eClubs charges fees for these courses, activities and additional services not mentioned above to ensure their sustainability.

The eClubs are managed by the Community Centre/Club Management Committees and Residents' Committees.

To keep operating costs low and fees affordable to most Singaporeans, each eClub is normally managed by one or two staff, either full-time or part-time.

The operating hours of eClubs balance the need to keep costs low and the demand for its various services and programmes. Hence, the eClubs are not able to offer the eCitizen Helper Programme throughout their operating hours.

Nevertheless, the eClub Management Committees will review periodically the demands of the services and programmes, and adjust their operating hours.

TODAY, Monday, 24 July 2006

Letter by Leong Sze Hian

Open up on the break-up

Details of A*star-Johns Hopkins split should be revealed

I refer to media reports that Johns Hopkins University and A*Star are headed for a breakup, with the facility in Biopolis closing in a year's time.

Johns Hopkins has said: "The university had done its part to recruit faculty and graduate students as stipulated in its agreement with A*Star and maintains that its Singapore partner has not kept up its end of the deal in meeting its 'financial and educational obligation'."

A*Star's response described the problems as "a period of 'transition' – a decision taken by the leadership of the American university and the agency to replace the current 'operational model of collaboration' with a new model of partnership that is being developed".

The contrast between the statements by the two parties is starting. Considering the immense publicity, amount of tax-payers' money, resources and time spent over the last eight years on this project, I think Singaporeans deserve a more detailed explanation on what went wrong.

I am sure the 60 staff members who have to look for another job in the United States or Singapore, and the four graduate students who have to find funding to continue their studies, would like to know too.

If you do not know what went wrong, how do you learn from your experience and mistakes, so that others may learn from it, too? How can there be accountability for failure, if we do not know who was involved and responsible for what happened? What is the financial quantum and consequences of this project and facility that has now to be closed?

I would like to suggest that an inquiry be held so that similar research tie-ups in the future may benefit from the findings.

With Singapore's international reputation at stake, as I understand that this is the first international tie-up of its kind between Singapore and the US, I urge A*Star to tell us more.

TODAY, Tuesday, 25 July 2006

Reply by Dr Andre Wan

Director, Biomedical Research Council

Agency for Science, Technology and Research

We have kept our end of the deal: A*Star

Agency says decision to terminate agreement with Johns Hopkins taken three years of monitoring and scrutiny

Let us start by stating the mission of the Division of Johns Hopkins in Singapore (DJHS). It was set up to achieve three goals.

First, to establish a centre of immunology, experimental therapeutics and cancer research with an international reputation. Second, to establish PhD training at DJHS in Singapore. Third, to recruit senior investigators with international reputation to appointments at DJHS and full-time residence in Singapore.

We refer to Mr Leong Sze Hian's letter in your newspaper yesterday urging A*Star to "tell us more". We also refer to the Straits Times' article of July 22, 2006 headlined "Johns Hopkins, A*Star 'headed for break-up'". It was alleged in the report that A*Star has not kept up its end of the deal in meeting its 'financial and educational obligations" and that this is a "reputational issue for Singapore and A*Star".

It was also alleged that Johns Hopkins University (JHU) "had done its part to recruit faculty and graduate students as stipulated in its Agreement with A*Star.

These statements attributed to the JHU spokesman are both untrue and inappropriate.

The truth of the matter is that A*Star has fully complied with its obligations under the Agreement and continues to do so during the contractual 12-month wind-down period.

Indeed Singapore invested a total of S$54 million under phase 1 of the collaboration (1998-2004) and a further S$28 million under phase 2 to date.

The JHU presence in Singapore began in 1998 with the goals of providing clinical service, education and research. But in 1999, Johns Hopkins Singapore (JHS) was found to have significant problems in the progress of its research and education programs and a restructuring of the collaboration was then effected.

However, problems persisted. A*Star had to negotiate a significant restructuring of JHS in 2003 which led to the establishment of the DJHS, an academic department reporting to the Dean of Medicine at JHU.

A*Star put in place, with the agreement of JHU, stringent oversight criteria and the requirement for a mid-cycle review. The Agreement specified clear key performance indicators (KPIs) that would provide mutually agreed metrics for success.

The mid-cycle review was carried out by two committees in late 2005 and in early 2006. Separate reports were submitted by the independent Scientific Advisory Committee appointed by DJHS itself, and by the A*Star Grant Review Committee. The findings revealed that DJHS was still lacking in senior scientific leadership and had failed to achieve several KPIs.

For example, the Agreement required DJHS to enrol at least eight PhD students by February 2006. However, as the review date approached, DJHS still had no students. In October 2005, DJHS was urged by its Scientific Advisory Committee to take steps to address this issue. Given the pace of development, A*Star had assessed that DJHS was unlikely to meet the target of 40 PhD students enrolled by February 2009.

The Agreement also required DJHS to recruit 12 senior investigators with international reputation to appointments at DJHS and with full-time residence in Singapore by February 2006.

In truth, only one out of the 13 recruited by DJHS fulfilled these requirements. While there were five others who held the title of full Professor, one had already tendered his resignation from JHU, two were based in Baltimore and did not reside in Singapore, one was based at the JHS International Medical Centre at Tan Tock Seng Hospital and spent only 20 per cent of his time at DJHS, and one was a visiting scientist on a 12-month contract.

Of the remaining seven faculty, six were given appointments as Assistant Professors by JHU. For five of the six, this was their first appointment as an Assistant Professor. Academics generally would not consider someone at the level of an Assistant Professor to be a senior investigator.

When A*Star raised its concerns, JHU responded that at Hopkins they prefer to hire capable and ambitious junior scientists rather than bring in “big names”. A*Star feels strongly that neither the letter nor the spirit of the Agreement, in particular the requirement to recruit senior investigators, was being followed.

All in all, DJHS failed to meet eight out of 13 KPIs for scientific capability development specified in the Agreement. For seven of these KPIs, DJHS was unable to even meet the first year targets by the end of the second year.

The Agreement allows A*Star to discontinue funding DJHS if it decides after formal review and with due process, that DJHS is not likely to succeed in achieving its KPIs.

The decision to terminate the arrangement with DJHS was not taken hastily and was based on nearly three years of monitoring and scrutiny. Moreover, discussions between senior management at JHU and A*Star about the potential closure continued for over three months (mid-February to end May 2006) before the decision was finally made.

A joint A*Star-DJHS circular was then sent on June 20, 2006 to all DJHS staff and students to inform them of the decision. The wind-down process then commenced in accordance with the terms of the Agreement.

It was only in July 2006 that A*Star learnt, for the first time, that DJHS had granted its four PhD students five-year scholarships with no obligation to return to Singapore after completing their studies. Such scholarships do not qualify for funding support under the Agreement.

Instead the Agreement requires DJHS to either fund or seek external funding (ie not from A*Star) to support any student to be trained in Baltimore.

We are deeply dismayed at the implication that A*Star is somehow to blame for the current predicament of the DJHS junior faculty and students.

Under the Agreement, should the DJHS program falter, JHU alone is responsible for the redeployment of its faculty. A*Star's obligation is limited to the provision of a 12-month wind-down budget. Notwithstanding this, A*Star has been actively helping DJHS and JHU with the re-location of faculty to Baltimore and placement of those who wish to remain in Singapore.

As for the four PhD students, though their scholarships do not qualify for A*Star funding under the Agreement, A*Star has gone out of its way to offer them assistance. We have renewed offers of A*Star local scholarships to two of them, and we are still attempting to assist the other two. We have yet to hear of any offer of assistance from JHU.

As a government agency, A*Star has a responsibility to review the progress and performance of projects like DJHS that are supported with public funds. Where necessary, we will act decisively to ensure that these projects continue to create value for and contribute positively to Singapore's biomedical sciences initiative.

In this respect, we have been even-handed and fair in our other interactions with JHU as a whole.

For instance, A*Star and Singapore have a productive relationship with the JHS International Medical Centre based at Tan Tock Seng Hospital. Much of the clinical research conducted there is funded by Singapore Cancer Syndicate, which is an arm of A*Star.

A*Star also sends its National Science Scholars to pursue undergraduate and graduate degrees at JHU in Baltimore, after which they are obliged to return to serve Singapore.

A*Star and Singapore have, over the past eight years, given JHU every possible chance to succeed. But for DJHS, JHU was unable to fulfil its obligations under the Agreement. We cannot justify the continuation of public funding for a collaboration that has failed to yield results for Singapore.

However, we continue to act in good faith to ease any disruption by the provision of a generous 12-month wind-down period and as much support as possible within the terms of the Agreement.

It is therefore most surprising that JHU should choose to lecture A*Star and the people of Singapore about our reputation when it is JHU which has not delivered on its commitments under the Agreement.

TODAY, Friday, 1 September 2006

Article by Loh Chee Kong

A class with room for all

PM Lee wants teachers, schools to ensure that no child is left behind

If the wheels of Singapore's changing education landscape were set in motion over the last few years, the next five years will see it running at full pace, as Singapore aims to provide a top-class education for all.

In is Teachers' Day Rally speech last night, Prime Minister Lee Hsien Loong laid down the targets the Government has set for Singapore's education system, as it continues its overhaul to meet the needs of the country.

The Prime Minister's vision of 2011: A diverse education landscape where everyone, whether rich or poor, will be allowed to develop his or her talents to the full; To those who are less able, they will be given skills to take care of themselves and their families; for those who excel, they will be moulded into leaders; And for the others, they will be engaged, their talents unlocked, and they would feel for the country.

By no means simple demands, these can only be achieved with passionate and dedicated teachers – or "a first class teaching force", as Mr Lee put it to 7,000 teachers last night at the Singapore Expo. And Mr Lee gave his promise that the Government would provide them with the full backing to achieve that goal.

"We will provide you with resources and materials, take care of your well-being and career advancement, help you to learn and develop professionally not only at the beginning but throughout your careers," said Mr Lee.

Recognising the increasing demands of the job, Mr Lee said that the Ministry of Education (MOE) would unveil measures in the next few days to boost the attractiveness of the teaching profession, as the MOE looks to raise the number of teachers by more than 10 per cent to 30,000 by 2010.

Specifically, the Government has set a target of tripling the number of schools offering niche programmes to 100 within the next five years. It would also halve the 3 per cent dropout rate of students who fail to complete secondary education.

In creating a more diverse school landscape, more schools will have to offer niche programmes where students can carve out specific areas of excellence for themselves and create pride among their staff, students and alumni, said Mr Lee. Schools must also have broader admission criteria and more flexible streaming so that students are not "pigeonholed". The Government would also devote more resources to children with special education needs, said Mr Lee.

Another priority for the Government is to address the widening income gap through education, which it sees as the "long term solution". Stressing that it is the Government's "cardinal principle" to help the poor families with their children education expense. Mr Lee said: "Don't worry about your education expenses. We will make sure you can afford it. If you have the talent, we will make sure you be the best that you can be."

Added Mr Lee: "The worst thing you can do is to tell your child: 'Drop out, I can't afford it.' Whatever else you sacrifice, make sure you keep your child in school. We will look after him."

While the Government will do its utmost to ensure all Singaporeans benefit from the education system. Mr Lee called on schools to pick up the gauntlet of producing the Republic's next generation of leaders.

Reiterating his National Day Rally message for young Singaporeans to develop strong emotional ties to the country, Mr Lee cited the likes of Australia's Melbourne Grammar School, the United States' Phillips Academy, Britain's Eton College and Malaysia's Malay College Kuala Kangsar as examples of overseas schools that 'develop students not just intellectually … but instilling in them a sense of responsibility to the country".

"We want all young Singaporeans to identify themselves with Singapore, to understand the Singapore story. And not just understand, but keep the Singapore story alive and help us to write the next chapter – this is important for all Singaporeans, but especially for kids who can be leaders of the next generation," said Mr Lee, who challenged the top schools here to learn from the overseas schools and do more to develop future leaders.

Mr Lee said Singapore has to develop "a sense of mission and a readiness to serve" in its youth in "an open, inclusive and non-elitist way".

He said: “We don’t want an elitist system … Develop a chance for the students to mix with others from different backgrounds and races. Get them to know one another, become friends, do things together, develop a loyalty to that group and therefore feel a collective responsibility for Singapore.”

Mr Lee also paid tribute to teachers. “Just as a country is as good as its citizens, so its citizens are only as good as their teachers. Keep it up … we’ll expect even more from you.” Mr Lee added with a laugh.

TODAY, Wednesday, 20 September 2006

Article by Lee U-Wen

‘World’s fastest growing’ public policy school

Its student cohort has quadrupled in size since it opened its doors two years ago, but the Lee Kuan Yew School of Public Policy is not about to stop there.

From an initial batch of 50 students in August 2004, the intake grew to 110 last year and its latest enrolment figure stands at 220, said dean Kishore Mahbubani.

This makes his institution the “fastest growing school of public policy in the world”, he said – and the 57-year-old expects the cohort to stabilise at about 300 in the next few years.

The relevance of a strong public policy education has taken on greater significance with most Asian countries looking to sustain their economic growth in order to stay ahead, he added.

“Many critical factors have to be put in place for sustainable economic growth. One of them clearly is good governance. Curiously, despite its importance, there are few schools of governance or public policy in the world, even fewer in Asia,” he said at the school’s scholarship presentation ceremony yesterday.

With 85 per cent of the students on scholarships, M Mahbubani welcomed seven more scholars – high fliers from China, India, Indonesia and Vietnam who received full scholarships worth more than $413,000 from three corporate giants: CapitaLand Group, OCBC Bank and Standard Chartered Bank. There is no bond attached.

Four are pursuing a Master’s in public policy and three, a Master’s in public administration.

Indonesian Ms Prelia Handarani Moenandar, given a scholarship by OCBC Bank, aims to become a policy analyst in Jakarta. The 25-year-old has worked three years as assistant to Indonesian President Susilo Bambang Yudhoyono's economic adviser and wants to "do my part in shaping the development of my country".

CapitaLand Group president and chief executive Liew Mun Leong said: "I hope when they become leading policy-makers in their home countries, they will raise the standards of governance in the region and improve the lives of their countrymen. In so doing, they will play an active role in the transformation of Asia into an economic powerhouse."

TODAY, Thursday, 21 September 2006

Letter Leong Sze Hian

Lure for foreign scholars

I refer to the article "World's fastest growing' public policy school" (Sept 20).

It states that the Lee Kuan Yew School of Public Policy has "85 per cent of the students on scholarships" and has welcomed seven more scholars – high fliers from China, India, Indonesia and Vietnam" on bond-free scholarships worth more than $413,000.

What percentage of the 85 per cent on scholarships are foreigners? What is the total sum in a year given to foreigners on scholarships?

I refer to media reports that PSA international, DBS and Singapore Land Authority have cut back on their scholarship programmes. The public Service Commission and the port authority have reduced their scholarships from 253 and 20 to just 39 and zero respectively.

I came across two newspaper advertisements in China, offering 30 scholarships from Singapore. One was offering 30 scholarships and successful applicants have to be bonded for six years.

A*Star announced recently that it would offer scholarships up to the PhD level for foreigners, on condition that they take up Singapore citizenship.

In view of the declining number of scholarships, how many are given to foreigners in a year, relative to the number given to Singaporeans?

TODAY, Friday, 22 September 2006

Reply by Choo Lee See

No cut in public sector scholarship nos.

In his letter “Lure for foreign scholars” (Sept 21), Mr Leong Sze Hian noted from media reports that the Public Service Commission (PSC) has reduced its scholarships from 253 to 39.

We would like to inform Mr Leong and your readers that the newspaper which had been quoted had made an error in its report and had since corrected it.

The reason for the change in the number of PCS scholarships is due to the delegation of ministry-specific scholarships (for example, teaching) to the ministries.

The total number of public sector scholarships has, however, remained at 250 or more for the last five years.

We would like to add the PSC scholarship applicants must be Singapore citizen or Singapore permanent residents with an intention to take up Singapore citizenship.

TODAY, Monday, 25 September 2006

Reply by Tan Huck Gim

Director, Administration

Lee Kuan Yew School of Public Policy

Public policy school has a broader mission

I refer to the letter, “Lure of foreign scholars” by Mr Leong Sze Hian (Sept 21).

The Lee Kuan Yew School of Public Policy has a broader mission than most other institutions of higher learning in Singapore. In addition to training policymakers, it has a larger goal of contributing towards educating and training the next generation of Asian policymakers and leaders. The ultimate long-term goal is to help improve the standards of governance throughout the region.

This explains why almost 80 per cent of our students are from overseas. Most of them are public servants from developing countries. Their low levels of remuneration in most public sector jobs would prevent them from enrolling in any school of public policy.

Hence, our school can only accomplish its larger goal by providing scholarships to these public servants.

Of all our students, 85 per cent (or 187) are on scholarships. Of these, 84 per cent are international students. Hence, international students with scholarships make up about 72 per cent of our enrolment and are awarded $7.5m worth of scholarships every year.

Approximately half of this is provided by partner organisations that have specifically restricted their funding to international candidates.

More information on the school, its programmes and the types of financial aid available may be found at our website www.lkyspp.nus.edu.sg.

This is also the reason why our school relies more highly on public donations. Most of the funding for our school was raised at the 80th birthday party for Minister Mentor Lee Kuan Yew on Sept 16, 2003. Over the long term, we will need new donors. This is why we held a scholarship ceremony to honour our new donors, CapitaLand, OCBC and Standard Chartered.

TODAY, Wednesday, 8 November 2006

Letter by Frances Ong Hock Lin

'Volunteering' with an agenda

My local university is organising an alumni reunion dinner next year. I received an email from the appointed agent.

This email asked for information about other alumni and class particulars. I assumed the class agent wanted to contact as many alumni as possible to let them know about the dinner.

Imagine my displeasure and disappointment when I checked the next email and found that the class agent had sent promotional information to me about a single premium investment-linked plan, advising me to call him for an appointment.

Some may argue that there is nothing wrong in sending promotional material through this channel as it is just another advertising channel, like the commercials in the mass media or the junk mail in our letter-boxed.

We can assume that the class agent is doing the work for the alumni on a voluntary basis, and so one might applaud him for his spirit of voluntarism. But one wonders if the database is also a convenient resource to increase his business as an insurance agent. Perhaps he should separate his desire to do community work from his business, so that good intentions are not misinterpreted.

Similarly, I attended a Family Life Education talk recently at my workplace. With ministry support, many Volunteers Welfare Organisations (VWOs) organise and deliver a variety of family life education programmes that include talks, workshops and seminars for the public.

I was looking forward to the talk as it was meant to help us de-stress and recharge during a very stressful period of our work life. Imagine our disappointment, when my colleagues and I realised the speaker was more interested in promoting himself, his training company and the financial services he provides, rather than what was promised.

I can understand that there is a need for companies and consultants to find creative and innovative avenues to promote themselves, their products and their services. But, perhaps, a distinct line needs to be drawn between voluntary work and business, although some may argue that there is no free lunch and that volunteers also need to earn a living.

This practice of giving free talks and workshops to get contacts is especially common among professionals such as insurance agents, multi-marketers, financial advisers, trainers and motivational speakers.

There are others who can draw a distinction and separate these two worlds. There are volunteers who actively choose not to discuss what they do when they are acting for the VWOs, and thereby perhaps lose an opportunity to get business in the short term. In the long term, however, they seem to get more business because their integrity and sincerity are evident.

Volunteer work is about sacrifice, working for free without the thought of gain. Sad to say, in our society, we sometime misuse the word when parents “volunteer” their time in order to gain a place for their child in a premier school, or when a student is compel to complete six hours of Community Involvement Project.

Yet, there are many people in our society who quietly toil and continue to sacrifice their time, money and effort for a cause they believe in, without expecting any personal gain in return. That’s the spirit of true volunteerism we should celebrate.

TODAY, Thursday, 9 November 2006

Letter by Jimmy Ho Kwok Hoong

A pragmatic view of ‘altruism’

It’s better to have volunteers with ‘ulterior motives’ than no volunteers at all

I refer to Ms Frances Ong Hock Lin’s I Say commentary, “’Volunteering’ with an agenda” (Nov 8). She calls for volunteers to distinguish and separate volunteerism and business.

Idealistically, there is nothing wrong with her view. Why should people who volunteer for community services sell insurance or promote multi-level marketing, which is much against the spirit of volunteerism?

However, in pragmatic terms, I have reservations about this mind-set. Singapore has not matured into a society able to appreciate the true meaning of volunteerism. Often, we read of the stark contrast between the proportion of volunteers in other developed or Western economies and that in Singapore.

The stressful lifestyles of most Singaporeans leave them limited time to serve as volunteers after fulfilling their career and family obligations. Despite a small portion struggling to help out, while the rest fold their arms in indifference, their efforts are frequently not appreciated.

As a grassroots volunteer myself, I have heard comments such as: “A volunteer is a volunteer. You shouldn’t ask for more” and “You know it’s a thankless job. So, why are you still doing it?” often from those who have refused to volunteer.

Generally, Singaporeans loathe community work but are jealous of volunteers getting the slightest advantage out of their endeavours.

Maximising the use of manpower is a Singaporean habit. Those within a system are often given more and more work until they can no longer take it. To some extent, it is forgotten that volunteers come forward because they seek more meaning to life. Instead, this personal goal is frequently compromised by the drive for “productive” returns.

One example is the Residents’ Committees (RCs). Some find themselves over loaded with assignments from the housing board, CPF Board, civil defence or police force, community development councils, social welfare bodies, various ministries and agencies – all introducing packages and “asking” the RCs to approach residents door-to-door by the hundreds, just because they are “nearest to the people”.

One might argue that the solution lies in the recruitment drives – getting more volunteers to help existing ones. This is easier said than done.

With the current situation of volunteers being often overloaded and yet little appreciated, how do we expect more people to come forward to serve?

So what if certain working individuals are promoting their personal interests while serving voluntarily? Are we to repeat the phrase, “A volunteer is a volunteer”, as if there is an army of Singaporeans ready and waiting to serve?

Tolerating such “impure” practices is probably more a question of extent.

Letter by Jeffrey Law Lee Beng

Not all professionals – such as doctors, trainers and lawyers – who give free public talks and conduct workshops do so with ulterior motives.

We must dispel the notion that every one of them has an agenda, or we may find it difficult to invite professionals to give educational talks gratis. Worse, they may be discouraged from helping at voluntary welfare organisations.

We should not be unduly worried about whether volunteers are altruistic about their work or otherwise. They should be judged by their contributions to the community.

TODAY, Friday, 17 November 2006

Letter by Leong Sze Hian

President, Society of Financial Service Professionals

Professionals advised not to promote selves during voluntary presentations

I refer to Jimmy Ho Kwok Hoong and Jeffrey Law Lee Beng's letters "A pragmatic view of 'altruism'" (Nov 9) in response to Frances Ong Hock Lin's "'Volunteering' with an agenda" (Nov 8).

The last letter writer says that financial professionals should separate their desire to do community work from their business, so that good intentions are not misinterpreted.

Many volunteer welfare organisations (VWOs) organise a variety of family life education programmes that include talks, workshops and seminars for the public, and a distinct line needs to be drawn between voluntary work and business, Ms Ong says.

Since the founding of the Society of Financial Service Professionals (SFSP) in 1928, it has over the years in Singapore, received requests to conduct financial planning talks or financial counselling for VWOs, family service centre, community development council, prison school, new bankrupts, and the disabled and so on.

Our next free public forum organised with Bizlink on Financial Planning for the Disabled, is on Dec 9, 9am to 12pm, at iHUB, in conjunction with the International Day of the Disabled and the Disability Awareness Public Education Campaign.

Members who represent the SFSP in such activities are held to the highest standards of professionalism in reference to our Code of Professional Responsibility, and are advised to refrain from directly or indirectly promoting themselves, their organisations or their products or services.

It has always been free of charge for VWOs, not-for-profit and government agencies; and for commercial organisations, wherever possible, a donation to charity is requested.

Human resource professionals who may share Ms Ong's concerns like to indicate to speakers – free or paid – their preference that they refrain from self-promotional remarks or activities.

TODAY, Mondayday, 11 December 2006

Article by Lee U Wen

BRAINFOOD

Education, Learning and Employment @ eCitizen

http://ele.citizen.go.sg/SkillsUpgrading

Skills upgrading is all the rage these days, and with globalisation hitting us full steam, this yearning for a better education is unlikely to die down anytime son. But with so many offerings out there, it's crucial to do your homework before you part with your hard-earned money for a training course or programme.

One sit that can answer most of your questions is the Government's eCitizen portal, which has a comprehensive section on skill upgrading. It breaks down the list of training incentives and grants that individuals can apply for, as well as the subsidies employers can enjoy if they intend to send their workers for retraining.

The wide range of training courses available in the market is also listed in detail in alphabetical order, spanning all the major industries in Singapore from accounting and security, to retail and tourism.

One of the more useful links on this site is the comprehensive list of training providers that one can choose to study at. With the recent controversy surrounding bogus of "scam" schools that have inexplicably shut down. Leaving many students in the lurch, picking a school or institution that is both reputable and accredited has taken on even greater importance.

Bosses can also send their staff to have their skills assessed and properly certified. The assessment of skills competence under the National Skills Recognition System (NSRS) will give workers due recognition for their experience and hard work put in, and give them that additional route to move up the ladder.

TODAY, Monday, 18 December 2006

Letter by Leong Sze Hian

Don't allow unaccredited universities to operate here

I refer to the article "Brainfood: Education, Learning and Employment@ eCitizen" (Dec 11), which says that "with the recent controversy surrounding bogus or 'scam' schools that have inexplicable shut down, leaving many students in the lurch, picking a school or institution that is both reputable and accredited has taken on even greater importance".

Recently, six private schools were suspended by the Consumers Association of Singapore (Case) from enrolling foreign students until they meet certain conditions related to safeguarding of students' fees.

There was also a recent court case allowing an overseas university to claim from a dead man's estate because the Singapore man had embezzled tuition fees of students.

The University concerned is located in the United States, but is not accredited by any accrediting body recognised by the United States Department of Education. While the university is a legally incorporated entity under the laws of incorporation of a state in the US, its degrees are also not recognised as it is not an accredited university.

There are foreign universities conducting degree courses in Singapore – from bachelors through to the PhD level – that are not accredited or recognised by their home countries.

Most private employers and government agencies in Singapore follow the guidelines of the Public Service Commission (PSC) in the employment of graduates.

The PSC will only recognise degrees that are recognised by the home country of the degree-granting institution.

So, Singaporeans who pay tens of thousands of dollars and study for years to get a degree from an unrecognised university may find it quite useless, for all practical purposed.

The reputation of Singapore as a regional hub for education is at stake. Why do we allow unaccredited, unrecognised universities to operate here?

TODAY, Wednesday, 20 December 2006

Reply by Steve Ngo

No set rule for 'real' university

I refer to the letter, "Don't allow unaccredited universities to operate here" (Dec 18), by Mr Leong Sze Hian. While I can empathise with him, some of his views must be corrected.

"Bogus or scam schools" must not be equated with "unaccredited" universities because they are two different things. No doubt we are concerned about private schools set up not for legitimate learning purposes; students should be protected. But this has nothing to do with whether the courses granted by the institutions are accredited.

One needs to be careful when talking about university "recognition". I was previously an education consultant to a British government-owned education corporation. In America and elsewhere, university qualification accreditation and recognition are complex issues.

One must treat the subject with caution, or potentially face a defamation lawsuit. How does one define what is "recognised" or "accredited"?

It is also inaccurate of Mr Leong to say that the Public Service Commission has guidelines on the employment of graduates. Rather, there are unofficial directions established by individual departments or agencies pertaining to candidates' qualifications.

Nevertheless, to suggest degrees are only recognised if they are recognised "by the home country of the degree-granting institution" cannot be right, because there are some good virtual/online universities that aren't country-based.

In essence, there is really no gold standard that can be implemented as to what constitutes a "real" university.

TODAY, Thursday, 21 December 2006

Reply by Ong Poh Chin

Senior Assistant Director, Personnel Policy

Public Service Division, Prime Minister's Office

Govt has clear rules on which foreign degrees are acceptable

In his letter, "Don't allow unaccredited universities to operate here" (Dec 18), Mr Leong Sze Hian noted that the Public Service Commission would only recognise degrees that were recognised by the home country of the degree-granting institution.

We would like to clarify that degrees from a university accredited by the government of the country where the university is located will be acceptable for employment in the Civil Service.

In addition, for professional qualifications, the degrees obtained from foreign institutions must be recognised by the relevant professional bodies in Singapore.

Recruitment in the Civil Service is based on open competition and on merit. Educational qualifications are just one of the many factors for consideration. Each Ministry, and not the Public Service Commission, selects and appoints its own recruits.

Your readers may wish to check on the accreditation status of foreign degrees with the relevant education centres/embassies or professional bodies, whose contact details can be found at www.vog.gov.sg (Site Map >> Resources >> Entry Qualifications). Alternatively, they may refer to relevant guidebooks, such the Commonwealth Universities Yearbook, available from the libraries.

TODAY, Wednesday, 14 March 2007

Article by Lee U-Wen

Libraries headed for the void

High costs, dwindling loans may spell end to community libraries

They began life as an institution nearly 15 years ago, as the brainchild of the Prime Minister at that time, Mr Goh Chok Tong.

But slowly, Singapore's community children's libraries (CCLs) – located at the void decks of housing board estates – are fading from sight.

From a peak of 46 such libraries in 2000, their numbers have dwindled to just 15 today. And five of these will loan out their last books by the end of this month.

Many concerned parents fear the worst: That all CCLs, targeted at children aged two to 10, will eventually be shut down.

Already, a door-to-door petition is in the works at Toh Yi estate, where residents have collected about 350 signatures in a desperate bid to keep the Bukit Timah CCL, which was originally targeted as one of those to close this month, open.

Their efforts have come to the attention of their Member of Parliament, Mrs Yu-Foo Yee Shoon, who has promised to keep the library open until December, at the earliest.

The CCLs operate alongside the National Library system and benefit children who are too young to go to the bigger libraries alone. They are open for only five hours a day, in the afternoons and evenings.

In a meeting with TODAY yesterday, the senior management of the National Library Board (NLB) and the PAP Community Foundation (PCF), which co-runs the CCLs, said a key factor in the closure of many of these libraries is the high cost of running them.

The PCF has to fork out $30,000 for each CCL per year, while the NLB bears the balance. This is a "substantial amount" and one not easy to raise, said PCF chief executive Ruth Low.

Poor visitor and book-loan rates are two other factors. While the number of visitors has held steady over the past two years, at about 140 a month per CCL, the number of books on loan dropped to 167 a month per CCL last year – down 5 per cent from 176 in 2005. The NLB is encouraging more people to visit the public libraries instead, as the number of regional and community libraries has more than doubled from 10 in 1993, to 23 today.

"(CCLs) are less relevant today and while we are sad to close them down, we are happy there are adequate alternatives within a reasonable distance," said Ms Low.

But library users such as Ms Amy Ellvar, who accompanies her nephew and niece to the Bukit Timah CCL regularly, disagree.

"To get to the bigger libraries, you must take the bus or train. But at the CCL, a 5-year-old who wants to borrow a book can either go on his own, or his grandmother or maid can bring him downstairs," said the 40 year-old businesswoman.

Recently, readers wrote to TODAY to protest the impending closure of these libraries.

Mr Steven Eu, who takes his two children, aged 3 and 7, to the Changi Simei CCL every weekend, said: "With our Government emphasising family life, the CCL is a good place for family bonding. On practically every visit, my kids make new friends and set up dates to meet at the CCL."

Ms Amy Gay, the NLB's deputy director for corporate communications, said the variety of programmes offered at the public libraries "outweigh the convenience factor".

"Something has to be sacrificed and we feel that our children's access to books has not been restricted. There is a limit to what we can do at the CCLs, but at the main libraries we can run programmes that cater to the wider community," she said.

The PCF's Ms Low admitted the future for CCLs was bleak. "We have to spend a lot to keep the CCLs running, and it's time to ask ourselves if this is the best way for us to use the funds," she said. "But if the (visitor and book loan) trends continue to persist, yes, realistically we could have to close all the remaining CCLs in due course."

TODAY, Weekend, 17~18 March 2007

Letter by Leong Sze Hian

Volunteers to run community libraries?

Don't deprive young readers of libraries to save money

I refer to the article, "Libraries headed for the void" (March 14).

The PAP Community Foundation (PCF) and the National Library Board (NLB) plan to shut down five of the remaining 15 community children's libraries (CCLs) because of dwindling book-loan rates.

There used to be 46 such libraries in 2000, and all CCLs are likely to be closed eventually. The NLB said that the variety of programmes offered at the public libraries "outweigh the convenience factor (and) something has to be sacrificed, and we feel that our children's access to books has not been restricted".

What is the point of a wider variety of programmes when we may effectively be sacrificing some of our children's access to reading? Which is more important – more programmes for all or no reading at all for some children?

We have lost our old National Library building to make way for a tunnel. But, that is the past. What is more important is the future, our children's future. And the PCF wants to save $30,000 in operating costs per CCL.

The children of needy families may not even be able to afford the bus fare to regional libraries. For some of them, CCLs offer the only convenient access to an environment of reading, learning and bonding with other children. It may also be difficult for families to find time to accompany their young children to libraries further away.

Since the number of visitors has held steady for the last two years, a small drop last year of five per cent in book-loan rates should not be a reason for closing CCLs. Perhaps, we should wait and see if it continues to decline this year or in the coming years.

I believe the bulk of a CCL's operating costs are staff costs, as each library is open for only five hours a day, in the afternoons and evenings. Why not consider the possibility of getting volunteers to help run CCLs? I understand this is largely the case in countries like the United States.

If we subscribe to the principle of closing community facilities because of declining usage, perhaps we should also start closing down Residents' Committee facilities, as I believe some are quite under-utilised.

Let us not be penny wise and pound foolish in helping our young to learn through reading.

TODAY, Wednesday, 28 March 2007

Reply by Ruth Low

Chief Executive, PAP Community Foundation

And Amy Gay

Deputy Director, Corporate Communications

National Library Board

Nurturing young minds

NLB, other groups are working to give kids from poor families access to books

We thank Mr Leong Sze Hian ("Volunteers to run community libraries?", March 17-18) and Mr Irving Tjin ("Statistics don't back library closures", March 20) for their views. We would like to make some important clarifications.

The NLB's network of 20 Community Libraries and three Regional Libraries found across the island are different from the Community Children's Libraries (CCLs).

Community Libraries are larger in area, size and offer a much wider variety of collections and programmes.

We share Mr Leong's concern that children from needy families should have access to reading.

We would like to inform him that the NLB, together with the People's Association and self-help groups have formed kidsREAD clubs at various community centres and schools for children from needy families to cultivate good reading habits.

When the kidsREAD programme started in 2004, there were 272 children from lower-income families and 73 volunteers participating in nine reading clubs.

Three years later, there are now 48 kidsREAD clubs, with 448 volunteers helping close to 1,000 children from the lower-income group.

We, therefore, support the call for more volunteers made by Mr Leong, and hope that more people will participate in this kidsREAD programme.

PCF and NLB also agree with Mr Leong that residents and parents can be actively engaged in the community, and we welcome them to come forward to volunteer in terms of time and fundraising.

With regards to Mr Tjin's comments on an increase in visitor ship at the CCLs between FY2004 and FY2005, this was due to the changes in service delivery and programmes offered from April 1, 2004, as well as the removal of the need to pay membership fees.

This increase was, however, short-lived. From FY2005 to FY2006 (up to February this year) there has been another decline of visitor ship and loans by 14.8 per cent and 25 per cent, respectively.

We would also like to highlight to Mr Tjin that the footnotes in the NLB annual reports reflect the explanations of the decline in the consolidated NLB loan and visitor ship numbers (for the Regional and Community Libraries) from FY2002 to FY2004.

The reason was the temporary closure of the following branches for upgrading works: Queenstown Community Library in 2003, Bukit Merah Community Library in 2004-05, Jurong Regional Library in 2003-04.

In addition, the Central Community Library at Stamford Road was closed in FY 2004 and only re-opened as the Central Lending Library at Victoria Street, in the National Library building, in 2005.

TODAY, Thursday, 19 July 2007

Article by Cheow Xin Yi

A credit card for the young

What's different? Income restrictions have been eased

Under 21 and no income? You can still own a credit card – with a credit limit of $500.

Launched by Citibank yesterday, the Citi Clear Card is the first to hit the streets after the Monetary Authority of Singapore (MAS) ease restrictions on credit cards regarding age and income. This follows the amendment to the Banking Act earlier this year, which allows banks to issue cards with a $500 credit cap to individuals under 21, and doesn't require a minimum annual income of $30,000, as with regular credit cards.

The card targets people in the 18-to-35 age group but applicants under 21 require parental consent.

Marketing director of Citibank Credit Cards, Ms Alice Fok, said $500 is a "good start for those who are new to credit". To prevent debt building up, the bank will block access for first-timer users who miss any minimum payment.

Citibank is also charging 28 per cent interest per annum on the card, higher than the 24 per cent on other cards. Profitability is expected to be limited, but Citibank's country marketing director Ong Lay Choo said the focus is to cultivate a long-term relationship with customers.

Two other major banks told TODAY they are planning similar products.

OCBC's head of credit cards, Ms Wong Ting Mei, said the bank would introduce a new credit card to target tertiary students, while United Overseas Bank's head of cards and payment products, Ms Gan Ai Im, said they plan to extend UOB dining privileges and the Smart Money programme, which apply to existing UOB cardholders, to this new segment of individuals with income below $30,000, soon.

TODAY, Wednesday, 25 July 2007

Letter by Leong Sze Hian

Students with a debt burden

I refer to the article, "A credit card for the young" (July 19).

The new card – aimed at students and young adults who do not earn enough to qualify for a regular credit card – will offer a higher interest rate of 28 per cent on rollover balances.

While I understand the rationale for making credit available to those who earn less than $30,000 a year, why is the interest charge so high? Those who roll over their credit balance may end up doubling what they use and owe, every two years or so.

We may be able to take a leaf or two from Malaysia, which has recently announced that the maximum interest on credit cards cannot exceed 15 per cent, for those who do not default on their repayments in any 12-month period.

The annual fee of $28 for the new card works out to 5.6 per cent of the credit limit of $500. This, I believe, makes it one of the highest fee-to-credit ratios in the world.

Singapore already has one of the highest debts per capita in the world. Such credit cards may propel the numbers up, as well as increase the proportion of the population with debts.

Students may end up in debt before they graduate and young adults may be in debt even before they start a family. How many Singaporeans may be in debt at retirement – a time when they should have accumulated sufficient assets instead of a negative net worth?

It remains to be seen how many of the estimated 900,000 Singaporeans aged 18 to 54 who earn below $30,000 may end up in debt.

TODAY, Wednesday, 5 September 2007

Letter by Leong Sze Hian

Free Chinese Tuition

I was given a flyer at a neighbourhood mall, from a private tuition centre, which said "Free Chinese tuition for needy students". I called to enquire and was told the fee ranged from $90 to $120 a month for primary and secondary students.

When I asked about the "free tuition", I was told that one only needs to provide documents proving that the household income is not more than $1,500 per month.

I applaud what this private tuition centre is doing to help needy students. I hope more organisations will do something similar for the needy.

TODAY, Friday, 23 May 2008

Article by Alicia Wong

What happens to my feedback?

There is Reach, and then there is Rap. But where is the all-important Response?

It was a civil servant who put that sharp question to a minister at a new media conference yesterday, wanting to know what is the result of the public response to government policies that go to the feedback agency.

Implicit in the question from Ms KathrynNg, director of market development at SingHealth, to Minister for Community Development, Youth and Sports Vivian Balakrishnan was this: Does it all end in a big, dark hole?

She followed up by highlighting two things:

If the public is told what happens to their feedback, it will go a great way in building better trust between the rulers and ruled.

And with the proliferation of new communication technologies and techniques, what better tool than the new media to show that the citizens' views are being listened to and acted upon?

Conceding the point, Dr Balakrishnan said: "The glass is not full, but it is filling up."

He said: "We are trying to share information … decentralise decision making." It is easy to say "no" but to get to "yes" requires imagination and ingenuity.

Responding to another comment that young people want the Government to listen to them and not convey messages with rap videos, Dr Balakrishnan said "the key is authenticity" and people will see through a "contrived performance".

While he personally will not do a rap video or karaoke because it is "not me", he said, it was up to the organisation to decide if the action was authentic.

"Leadership can't be hostage to every idea expressed or every view or every solution offered. But at the end of the day, leadership still needs to convince people that … an honest credible decision (across suggestions) was made," Dr Balakrishnan said.

It is natural for young people, on their way to establishing their individuality, to be sceptical, but at least it show they care, he said.

When it comes to using the Internet – which presents a myriad of fragmented views – to engage people, both the Minister and dean of the Lee Kuan Yew School of Public Policy Kishore Mahbubani believe that that is the route to be taken.

Prof Mahbubani, who spoke on the declining trust in institutions the world over, said Governments have to revert to the "time-tested ways" of integrity, ingenuity and imagination to reach citizens.

"Never lie, always be credible and listen to honestly-held views of responsible people, especially when they are different from yours," said Dr Balakrishnan making the point that that was his credo on online communication.

Be it traditional or new media, certain "key considerations" remain, added the Minister.

Both forms of media offer great economic and social opportunity, but the Government will not tolerate threats that may compromise security or public order.

The Government also wants to nurture a "cohesive population," with Singaporeans taking co-ownership and participating in the challenges and solutions to Singapore's future.

Netizens TODAY spoke to offer their views on how the Government could engage with citizens online.

Saying that the Government is "trying extremely hard," Mr Leong Sze Hian, regular contributor to local blog site The Online Citizen (TOC), suggested inviting criticisms on Government or Government linked websites.

Co-editor of the TOC, Mr Choo Zheng Xi, urged the Government to join the debate in not just the mainstream media but also in the new media.

He pushed his point by saying: "Don't just speak to the converted."

By taking a more all-embracing approach, he said, the Government will be able to reach a far wider audience.

Senior research fellow at the Institute of Policy Studies Tan Tarn How suggested the Government be more proactive in pushing out information through Really Simple Syndication (RSS) or email.

The Government also needs to talk to bloggers, he said; perhaps invite the more credible ones to press conferences: “There is some frustration because they are ignored.”

Ms Yasmin Ahmad, an award-winning film director from Malaysia and a speaker at yesterday’s 7th annual conference organised by the PR academy, had this to say: If she had to market Singapore to sceptics overseas, she would first handle Singaporeans’ perception of their own country.

“Firstly, once you feel good about yourself, chances are the world will see you in the same way. Secondly, you won’t care (what they think.)”

Employment

Today, Thursday, 13 February 2003

Letter by Leong Sze Hian

How to use levy

Return it to train workers

I refer to reports that construction firms may have to pay $500 to $1,000 per employee for training and testing to avoid higher foreign worker levies.

More than eight in 10 foreign workers here have at least one certified skill and come Jan 1 next year, the monthly levy imposed on single-skilled workers will rise more than 10-fold from $30 to $320.

The industry employs around 180,000 foreigners and is already reeling from the economic slump. The Building and Construction Authority (BCA) said that British studies have shown that companies with skilled workers see five to 20 per cent savings in labour costs.

I suggest that a study be done on the impact of the higher levy on labour costs here. A likely rise in total labour costs could further impact the already depressed construction industry.

Since the overall aim of the initiative is to enhance the development of the construction industry, would it be possible for the proceeds from the higher levies and testing fees to be returned to construction firms, by way of training subsidies?

From Jan 1, 2006, workers who are regarded as "multi-skilled" must be re-certified in at least one of their skills every two years. Does this mean even higher costs in the future? The relevant authorities should coordinate policies that impact the cost of doing business here.

Today, Thursday, 27 February 2003

Reply by Jean Tan, Corporate Communications

For Permanent Secretary MOM

Jeanna Das, Corporate Services Division

For Chief Executive Officer, BCA

Higher levy but greater productivity

We refer to Mr Leong Sze Hian's letter, "How to use levy" (TODAY, Feb 13). He said the new measures by the Building and Construction Authority (BCA) and the Ministry of Manpower (MOM) will raise labour costs and hit the construction industry, especially firms with contracts going beyond Jan 1 next.

The objective of the multi-skill scheme and the changes to the skill criteria for foreign workers levy is to raise the overall skill level of foreign construction workers and reduce reliance on foreign workers.

Despite a sharp rise in single-skilled foreign workers since 1998, the industry's overall productivity has been poor and its productivity low relative to developed countries.

The mismatches between workers' trade tests and actual job deployment point to a urgent need to raise the skill standard. Multi-skilling enables companies to raise productivity by deploying workers more effectively – using fewer workers.

Single-skilled workers will incur higher levy cost. But, in the longer term, contractors will benefit from engaging multi-skilled workers as they can decide on the mix of single-skill and multi-skill workers to best meet project needs.

Contractors should minimise training costs by recruiting better-skilled and experienced workers. Any rise in costs due to the higher levy and cost of testing could be offset by productivity gains from more efficient methods and better skilled workers.

We have been mindful of the impact the changes in manpower policies would have on contractors and have given a lengthy transition period for contractors to review and adjust manpower requirements.

Foreign workers recruited prior to Jan 1 next year will not be affected until Jan 1, 2005. They will be eligible for the low $30-per-month levy until then. Workers recruited after Jan 1 next year have to meet the criteria to be eligible for the lower levy. The BCA will consider, case by case, on-going contracts of longer duration that could be affected.

The re-certification for multi-skill workers is to ensure that their skills stay current and relevant. It will only be implemented from Jan 1, 2006.

A worker practising trade skills and appropriately employed in the industry should not have difficulties with the re-certification test. The cost of re-certification will be marginal.

Mr Leong has suggested that the levy be used for training subsidies in the construction industry. But the foreign worker levy is primarily a pricing mechanism to regulate the demand for foreign workers. It is channelled into consolidated revenues, which, among other things, is spent on public infrastructure and amenities that benefit all living and working here.

Today, Tuesday, 11 February 2003

Related Article by Val Chua

Joy for builders?

Levies likely to stay, but foreign worker ratios may be tweaked

Changes to Singapore's policies on foreign workers, hinted by Deputy Prime Minister Lee Hsien Loong last week will probably be made first in the construction sector – but monthly levies are likely to stay.

Currently, construction companies pay a levy of $30 per month for a skilled foreign worker and $470 for an unskilled one. The levy rates, which have been frozen till June 30, are not likely to increase, following the decision by the Ministry of Manpower last year to extend the reduced rates for another six months.

Thus, changes might come from a further relaxation of the dependency ceiling or the ratio of local workers to foreign workers employed by a firm. Under present rules, construction companies need to engage one full-time local worker before they can employ five foreign ones.

Describing the foreign labour policies as a "perennial problem", the Singapore Chinese Chamber of Commerce and Industry (SCCCI) said in response to TODAY's queries: "The general sentiment is that foreign worker policies have been too rigid and not too practical in solving inveterate problems, such as the inability to find sufficient local workers to sustain business operations.

"The strict local-foreign worker ratio has been overly restrictive in the context of the local situation."

Apart from the construction sector, the marine, manufacturing and services industries are likely to see similar changes in the coming weeks.

SCCCI said among the “desperate calls” to review the foreign worker policies include suggestions by local businesses to increase the number of “Approved Source Countries” to ease the labour shortage.

Only companies in the construction and marine sectors and some large manufacturing companies endorsed by the Economic Development Board are eligible to hire workers from Non-Traditional Sources (NTS), such as India, Sri Lanka and Thailand, said SCCCI. This worsens the labour shortage faced by smaller firms.

“Facing increasing difficulties engaging Malaysians in hot and dirty tasks, local small and medium enterprises (SMEs), especially those in labour-intensive and 24-hour industries, appeal for flexibility in hiring NTS workers,” it said.

A longer validity period for work permits for skilled and semi-skilled foreign workers is also desired, it said.

There are now about 750,000 foreign workers here, compared to about 80,000 unemployed Singaporeans.

Replying to a question on how Singapore reconciles its growing unemployment to its foreign worker policies, DPM Lee had said during the presentation of the final ERC report last week: “I think we can rationalise and smooth out our system a little bit more.”

By this, he meant that Singapore will tweak its policies to continue welcoming foreign workers, while regulating the demand through appropriate levies. In short, foreign workers will complement, rather than displace, locals.

Citing the graveyard shifts, which are unpopular with Singaporeans, DPM Lee sent this message: By having foreign workers in, we are creating jobs in the first and second shifts for the locals.

But how well the Government manages its foreign labour, while convincing locals that good jobs are still theirs for the taking if they retrain, will be closely watched by all quarters.

Today, Weekend, 1~2 March 2003

Letter by Yak Chin Hua

Multi-skill scheme will buck tradition

I refer to Mr Leong Sze Hian’s letter “How to use levy”, (TODAY, Feb 13) and the joint reply, “Higher levy but greater productivity” (TODAY, Feb 27), from the Ministry of Manpower (MOM) and the Building and Construction Authority (BCA).

In implementing the multi-skill scheme, both MOM and BCA seem to be too objective-driven and have overlooked some facts about the traditional way the construction value chain is organised and operated.

One way the construction sector attempts to provide its services more effectively and efficiently is by separating various functions.

The service providers are the contractors, consultants, sub-contractors and supplier. Most sub-contractors are still organised along the traditional lines of the old "kepala" system, with each group focusing on its speciality such as bricklaying, plastering, tile fixing and marble lying.

Unlike the manufacturing industry, the construction industry is highly fragmented.

The more efficient sub-contracting firms may have evolved some degree of integration along the value chain.

The quick pace of the projects here in Singapore also makes it difficult to follow through with the multi-skill scheme even if contractors support it in principle.

When there are sufficient projects available when the economy is in good health, sub-contractors would prefer to move on to a similar project. In addition, re-certification may not be relevant for those involved in builder works.

The way of fixing a piece of tile today has not changed from the way it was done 10 years ago, although advancement in material technology may have resulted in better adhesive materials.

And, so, Mr Leong may be right in his argument that the multi-skill scheme may lead to higher labour costs. And ultimately, costs are passed on to the purchasers.

Today, Friday, 20 June 2003

Article by Francis Kan

SIA sacks 414 to 'save' itself

Even as Singapore Airlines was handling out retrenchment letters to 414 of its ground staff yesterday, the question on most people's minds was why a company with $1 billion in profits last year was taking such a drastic action.

And while the airline is expected to incur its first quarterly loss ever, analysts polled by Bloomberg are projecting $345 million in profits this year.

With signs of a recovery finally here, couldn't SIA have held back the dreaded axe just a little longer?

To SIA chief executive officer Chew Choon Seng, there was no question of holding back. The job cuts were not merely a knee-jerk reaction to a downturn that has caused the carrier to lose $6 million a day since April, but also an urgent response to a fast evolving competitive environment.

"There is no alternative if we are to ensure that the company survives this downturn and if we are to be well positioned to compete effectively against other airlines which have changed, or are changing, their cost structures radically," he said.

UBS airline analyst Timothy Ross said SIA was using the current tough environment "to bring about permanent restructuring in its operations".

Yesterday's 414 lay-offs were the company's first retrenchment exercise in 20 years. Comprising office staff, airport workers and engineering personnel, the job cuts total about 1.5 per cent of its local staff strength. The severance package will include one month's salary for every year of service for those with at least three years' service, subject to a maximum of 25 months' pay. Since there is still a question mark over whether such a cap is feasible, those with more than 25 years of service have been spared the axe for now. More job cuts are likely soon, with flight staff, including pilots and cabin crew, the most probable targets.

"The pilots and cabin crew were not involved today because of roster duty and overseas travel. Redundancy in the flying crew will be addressed in due course," said Mr Chew, without elaborating.

TODAY, Monday, 27 September 2004

Letter by Leong Sze Hian

Lower pay, less time, more work

Will this be the outcome of new overtime rules?

I refer to the recent announcement that employers can opt not to pay overtime and, instead, give time-off to employees. This may mean less pay, less time and more work for some.

If 20 per cent of a person's pay derives from overtime, the change represents a pay cut. Currently, when employers want to give someone more work, they have to worry about overtime costs. But with time-off in lieu, they may not have to think so much about assigning the extra work.

It is ironic that with the Civil Service and schools going on a five-day week, some people may be working longer hours without getting paid for it. Even while their spouses and children have more time off.

It is lower income earners who depend on overtime for a portion of their total pay, as those earning more than $1,600 per month do not tend to receive overtime pay.

So, this may mean having to take on a second job, endure more financial stress or, worse, resort to borrowing.

Even with this new flexibility, to what extent will employers use retrenchment to cut costs and increase profits?

Despite an improving economy and repeated assurances that more flexibility means less reliance on retrenchment, profitable companies such as Singapore Airlines and Singapore Airport Terminal Services recently announced layoffs and out-sourcing, and the Civil Service is cutting staff by three per cent.

Which is worse? Retrenchment for some or across-the-board pay reductions for those banking on overtime pay?

Reportedly, Singapore workers do not score high marks in terms of motivation, initiative, happiness and productivity. Flexible overtime pay may make things worse.

Perhaps one good thing that may come out of the flexible overtime payments system: More people may decide to tackle the challenges of entrepreneurship. At least working overtime for you holds the promise of greater rewards.

TODAY, Weekend, 25~26 November 2006

Channel Newsasia

Bigger paychecks for civil servants

The salaries of more than 60,000 civil servants are expected to go up next year to stay competitive as private sector wages rise, said Minister-in-charge of the Civil Service Teo Chee Hean.

Speaking to reporters after launching the Sharity Gift Box at Orchard Road, Mr Teo said Singapore must continue to pay top dollar to civil servants, as private sector wages continue to rise.

Salaries in the private sector have on average risen by 3.5 per cent this year, and are expected to go up further next year.

“We will continue to make sure we remain competitive both to recruit and to retain. We want to make sure we not only retain those with experience, but also provide challenging careers for those who are well-remunerated and those looking for new jobs,” he said.

The civil service looks at comparable private sector salaries every year, and will study the current pattern to see what adjustments are to be made, Mr Teo noted.

Will ministerial salaries be revised accordingly? Mr Teo said the Government would look at the benchmark with private sector salaries to see what adjustments are needed.

He stressed that the civil service did not set the pace for - but rather, followed – what the private sector did, the latter being a much larger employer.

Only 2.2 months' bonus civil servants will enjoy next month, Mr Teo said this was due to the good performance of the economy. The Government wants to send a signal to civil servants that they are appreciated and to retain them in the face of rising wages in the private sector.

TODAY, Tuesday, 28 November 2006

Letter by Leong Sze Hian

No loss if civil servants go private

I refer to the article "Bigger paychecks for civil servants" (Nov 25) on how the salaries of more than 60,000 civil servants can be expected to go up next year, to stay competitive as private sector wages rise.

I suggest that we try to emphasise the noble duty of public service over pure monetary considerations. For example, we could highlight the fine example set by our Minister Mentor who gave up his lucrative private law practice to serve Singapore with very little pay about four decades ago; and more recently, the Minister of Manpower who took a very large pay cut, reportedly over $1 million, from his private medical practice.

It has been our human resource policy to transfer civil servants to the private sector, and this has worked very well in getting out best public talents to contribute to national development through the private sector.

Two fine examples are the CEOs of Temasek Holdings, which garnered a return of 18 per cent per annum for the last 32 years, and SingTel, which has grown to become an over $13-billion-revenue conglomerate employing more than 19,000 people serving over 100 million customers in seven markets.

Therefore, we should look at the movement of civil servants as a plus to the economy, and not necessary a loss to the public sector.

Also, no matter how much more we pay civil servants, there will always be some who may leave for reasons other than pay.

I would like to ask what is the turnover and attrition rate in the civil service? How does it compare with the turnover in the private sector?

Although civil servants' pay has been rising over the years, we may need to temper future increases in the light of the declining wages of about 40 per cent of households (according to the Department of Statistics' General Household Survey 2005).

TODAY, Wednesday, 29 November 2006

Reply by Terence Leong Yoong Hwa

Money talks, even in the civil service

I refer to the letter by Leong Sze Hian, "No loss if civil servants go private" (Nov 28). I agree with the main thrust of the letter, that keeping the big picture in mind with regard to talent vis-à-vis the public sector.

However, I wonder if appealing to the concept of nobility in civil service is taken too far sometimes.

Yes, civil servants are ultimately paid by the taxpayers, and the public service is meant to serve the public. But the fact remains that the public service is meant to be professional as well.

Also, constantly citing the examples of the top civil servants – the minority and the exception – to encourage the masses in their sense of duty seems to miss the point.

With due respect to the top ministers, who have given up a lot more than what they could have earned in private practice, it doesn't change the fact that they are among the most well paid a compared to their Government counterparts elsewhere. For civil servants working in the lower ranks, that kind of argument doesn't make sense at all.

It is also true that at the end of the day, people leave the civil service for reasons other than pay. That is why Mr Leong's suggestion makes sense, in terms of looking at the turnover rate compared to that of the other sectors.

Yet that doesn't mean that we can downplay the importance of dollars and cents. A couple hundred dollars means more to the civil servant earning a couple thousand dollars, as compared to one earning tens of thousands of dollars.

TODAY, Thursday, 14 August 2008

Article by Nazry Bahrawi

The missing link: Insurance

Workgroup in talks with insurers to plug coverage gaps for workers over 65

Without steps to correct the situation, mature workers who wish to stay on the job once re-employment laws kick in could find a crucial element missing from their contract – medical insurance coverage.

Right now, the last entry age cap practised by the market to insure mature employees stands at 64.

Yesterday, the Tripartite Implementation Workgroup revealed it will soon release a list of insurers that have agreed to raise it to 65. And it hopes they can be persuaded to set the bar even higher.

"At 64 and 65, we are still okay. But we are talking to the insurance agencies about raising this cap," said Mr Koh Jun Kiat, executive director of the Singapore National Employers Federation (Snef), at a forum to launch a new re-employment Web portal and guidebook.

He also raised the issue of allowing a mature worker to take a break before he starts his re-employment term.

"If the break is too long, there is a problem with continued medical insurance," he said, explaining that the current standard for insurers to continue coverage without re-evaluation is up to a month.

He added: "We are also talking with insurance agents about lengthening this gap a little bit."

At the same time, Mr Koh said, the 2012 legislation will be shaped so as to allow companies the option to let employees begin their re-employment term immediately.

"We will take this up to see whether the law can be crafted in such a way he can be re-employed the day after. So, there is no need to go for a break."

Applauding these moves as a "natural progression forward", Mr David Any, executive director, Singapore Human Resource Institute (Shri), told TODAY: "Life expectance has gone up. It would be good for insurers to review past practices which might have been based on parameters that have undergone some transformation."

But he also proposed that companies consider a portable medical insurance scheme, with coverage at work tied not to companies but individuals.

To this end, he said, the Shri – along with some insurers – will next month launch such products.

Meanwhile, Mr Leong Sze Hian, president of the Society of Financial Service Professionals, warned of the costs of raising the last entry age cap beyond 65. "The older they are, the higher would be their insurance claim. So there will be higher premiums set for mature workers. Are employers willing to pay the higher premium?"

He suggested that the Government make it compulsory for every Singaporean to take up a national basic health insurance plan.

TODAY, Tuesday, 27 October 2009

Letter by Leong Sze Hian

Make it a must for local staff, too

Address abnormality to ensure all workers start on a level playing field

The compulsory medical insurance covering foreign workers will be increased from the current $5,000 to $15,000, with effect from Jan 1 next year.

However, there is no requirement for employers to insure their Singaporean citizen and Permanent Resident workers for any form of medical insurance.

I would like to suggest that this abnormality be addressed, in particular for lower-wage workers, who are generally not insured by their employers.

Some employers may also pay their foreign worker less, compared to locals or stint on non-monetary benefits like housing and food in order to recover part of the insurance cost.

The situation could also mean that employers may choose to employ locals just to save on the compulsory medical insurance premiums having foreign workers would incur.

The current policy of not allowing foreigners to receive subsidies at public hospitals means that foreign workers have to go to class B2 wards, which may increase the size of medical bills and correspondingly the liability of employers.

TODAY, Monday, 2 November 2009

Reply by Farah Abdul Rahim

Director, Corporate Communications

Ministry of Manpower

3M framework for heathcare needs

We refer to "Make it a must for local staff, too" (OCT 27) by Mr Leong Sze Hian on medical insurance for workers.

Singaporeans enjoy substantial government healthcare subsidies at polyclinics and up to 80 per cent at hospitals.

In additional, employers contribute to Singaporeans' Medisave accounts which can be used to pay for their healthcare cost as well as MediShield (health insurance) premiums.

For those without the means to pay for medical care, they can seek help from the Government through the Medifund. This 3M (Medisave, MediShield, Medifund) framework provides for the basic healthcare needs of Singaporeans.

In general, foreign workers are not entitled to any healthcare subsidies from the Government.

Therefore, employers who make the decision to bring foreign workers into Singapore should bear the costs of their medical car. Otherwise, hospitals will run deficits, which are ultimately paid for by the taxpayer.

Employers can request for their foreign workers to be admitted to C class wards, if capacity permits.

Family

Today, Friday, 29 November 2002

Article by Lee Ching Wern

Forget levy, up maids' pay

In tough times like these, fee hikes of any sort are usually greeted with an outburst, even from normally tight-lipped Singaporeans.

And ever since Minister of State for Manpower Ng Eng Hen (picture) indicated that the maid levy may go up in October, there has been a flurry of public protests.

In a survey conducted by Maidlibrary.com, an independent web site set up to facilitate maid selection for employers. 135 maid employers responded with criticism about the proposed hike. The survey asked if they would make the switch to local part-time help, should the maid levy be raised.

The responses show that while many Singaporeans agreed with the Economic Review Committee's belief that raising the maid levy would open up more job opportunities for local domestic help, they are not convinced that making foreign maids more expensive would be beneficial in the long run.

"Fair enough, if the panel wants to pave the way for locals in household cleaning. But promote that service by making it more attractive financially. Why make the standard of living in Singapore higher?" asked Ms Lin Meigui, in her postings.

However, Dr Ng pointed out that one in eight households has a maid and that Singapore's maid population o 140,000 is second only to that of Luxembourg's. And this way has repercussions on the social fabric in Singapore, Dr Ng said.

Nevertheless, many respondents feel that raising maid levies will not help reduce the number of maids, as people employ foreign maids out of necessity.

Instead, they feel that the government should consider raising the salaries of maids. "This would help ensure the quality of maids, as we have been facing the problems of second-grade maids," said another respondent, who gave her name as Theresa.

Maidlibrary.com is compiling the results of the survey and plans to submit it to the Ministry of Manpower within the next two weeks. The Government is expected to announce if it will raise the levy in a few weeks.

Today, Wednesday, 27 November 2002

Article by Derrick A Paulo

The question that has no answer

When Parliament imposed the moratorium on foreign maid levies in 1999, it was due to the economic uncertainty at the time. The moratorium was to last till the end of this year, when the Government is expected to announce if it will extend the freeze or raise levies.

Yesterday, Mr Tan Soo Khoon, MP for East Coast GRC, asked the Minister of State for Manpower and Education, Dr Ng Eng Hen, if he would characterise today's economic climate as uncertain. If so, why look to increase the levy?

Without disagreeing, Dr Ng revealed that the growth in numbers of foreign domestic workers (FDWs) "has grown out of hand" – and needs to be moderated.

In the ensuing cacophony of questions, Mr Tan asked what number of FDWs would be deemed acceptable to the Government.

Dr Ng's reply: "That is an intelligent question … The answer is nobody knows."

He added that a Singapore is second only to Luxembourg in the employment of FDWs. There are now approximately 140,000 FDWs working here.

Dr Ng said this puts Singapore "at the front line" and that the repercussions on the country social fabric cannot be ignored.

Another issue – if there could be parity for singles for foreign maid levy tax relief, raised by Nominated MP Braema Mathi, was quashed.

She sought the rationale for excluding singles from this tax rebate and hoped the Ministry of Finance would review the policy. Married women currently can deduct up to $8,280 this year.

But, Second Minister for Finance Lim Hng Kiang, explained that singles can already claim relief if they are taking care of their parents of handicapped siblings.

The relief is $5,000 if the child is staying with the parent and $3,500 otherwise. All taxpayers can claim relief of $3,500 for handicapped siblings.

Today, Thursday, 28 November 2002

Letter by Andreas Rocksien

Raise pay, not levy

Improving quality of domestic workers a better move

I have been following closely the recent discussions about the possible increase in the foreign maid levy.

While I do not employ a domestic helper, I hear some of my friends complaining regularly about the performance of their maids.

They keep quiet when I pointed out that they pay their maids only about $300 a month.

Domestic helpers from various Asian countries are in a position to choose among many countries, such as Hong Kong, Saudi Arabia, and Singapore.

They usually base their decision on where they can secure maximum gains, both personally and financially.

Maids in other developed countries tend to earn higher salaries than those in Singapore.

While it may be necessary to control the number of foreign maids here by increasing the maid levy, it may be a good idea to increase the maids' salaries instead.

The quality of domestic workers here will then improve and that will be better for the country in the long run.

Today, Monday, 2 December 2002

Letter by Leong Sze Hian

More to marriage than financial perks

I refer to the articles, "Forget levy, up maid's pay" (TODAY, Nov 29), and "The question that has no answer" (TODAY, Nov 27), and Andreas Rocksien's letter, "Raise pay, not levy" (TODAY, Nov 28).

Mr Lim Hng Kiang's reply in Parliament on the maid levy for singles was: "So, if you want to get the relief, get married."

Policies that tie marriage to financial "Bonuses" may lead to couples getting married before they are ready to do so. This, in turn, may lead to higher divorce rates.

I believe there are some single people who are caring for their aged parents with the help of a foreign maid.

They are unable to claim tax relief on the maid levy because their parents are not handicapped. This group may find it hard to manage, in the light of the current economic downturn.

To cite another example, I understand that some Singaporean couples get engaged so that they can apply for an HDB flat.

I believe some are getting married just for the sake of that HDB flat, despite the fact that they are not ready emotionally to commit to marriage.

Perhaps, we need to remind these couples that there are more important considerations than tax relief or an HDB flat.

Today, Wednesday, 4 December 2002

Letter reply by Chang Chang Hup

Knotty issue

Marriage shouldn't be driven by financial perks

I refer to the letter, "More to marriage than financial perks", by Leong Sze Hian (TODAY, Dec 2).

I agree totally with the writer. The sad truth is that financial perks sometimes drive Singaporeans to get married.

Children are often the victims of poor marriages and they suffer during their crucial growing up years. The education system is stressful enough and they should not be pressured at home as well.

I more children see their parents suffering from unsatisfactory marriages that eventually break up, how will the next generation view marriage?

It is ridiculous for the government to dangle monetary "carrots" to encourage Singaporeans to get married. The family is the basic building block of society and to induce marriages this way undermines the sanctity of the lifetime union between two people.

Can we have more freedom in this area then, please?

For instance, it is time the authorities recognise the need to allow singles under the age of 35 to own an HDB flat. The policy of barring singles under 35 from owning an HDB flat is backfiring and may even do more harm than good.

The contribution of singles to the economy is too significant to be ignored. Is it right then that single Singaporeans face limitations when they want to buy public housing? Is it any wonder so many of them do not feel a sense of belonging to the nation? Is it any wonder they want to emigrate and work elsewhere?

Today, Monday, 30 December 2002

Article by Narayana Narayana

Time to enjoy golden years

… That's why the retirement age should not be pushed back

The "Remaking of Singapore" theme has been accompanied by recommendations on many fronts.

The institute of Policy Studies (IPS) calls for the review of the retirement age, which currently stands at 62.

The proposal will probably be considered in an official capacity as the Minister in the Prime Minister's Office, Mr Lim boon Heng, is said to be considering whether "the concept of retirement should be consigned to the dustbin of history".

It has not been disclosed who were involved in the IPS proposal but, hopefully, the opinions of a meaningful number of those who are retired were taken into consideration.

Having retired a few years ago after being "gainfully employed" for almost 50 years, I may be fairly representative of that group.

I could have continued working but, even with a fair amount of freedom, the prospect of being tied to a desk and meeting deadlines was too daunting. I threw in the towel. No regrets.

When I started working, the retirement age in Government circles was 55, with a pension thereafter.

When the CPF scheme was introduced in 1955, the deal was that your five per cent contribution and the employer's five per cent contribution, plus the accumulate interest, could become a comfortable nest egg when your birthday rolled around.

In the private sector, one could work at his desk (or outside) until he literally dropped dead.

But, on a more practical note, it was customary in the Indian and Chinese communities to retire at 60 and hand over the reins and the family burden to the next generation.

As anybody who has come to that age will attest, there is a marked slowing-down of physical reflexes. "The spirit is willing but the flesh is weak" goes the saying.

As with an old car, the human engine takes a long time to warm up and move – and often with hiccups and groans.

It is at this stage of life that many feel is time to retire and do things at their own pace and convenience. This is equally true of all workers, white-collar or blue.

Ask them why they keep doing the same work and the reply is likely to be: "For the money".

So, it is fairly easy to establish that most people work for the money and not for their love of the job and this seems to apply equally across the board, whether it is the teenager, the middle-ager of the old-ager.

There must, therefore, be many unhappy workers and one can logically assume that the unhappy worker at 60 or 62 has all the built-up frustrations of several decades of unhappy working.

So how would the prospect of "continuing employment" appeal to these workers?

Long used to the 13th month Annual Wage Supplement and annual increments in salary, the expectation is that these and other spin-off benefits will continue throughout employment to maintain a lifestyle which these workers have been accustomed to. The heavy cost of maintaining this lifestyle is not conducive to saving on any appreciable scale.

All this adds up to the need to work continuously throughout one's lifetime.

The argument to reassess the retirement age is that people now live longer and it is, therefore, necessary to work longer, although the rationale is to earn enough to keep on living. It seems to be a peculiarly vicious circle.

From the employers' viewpoint, why should a doddering 60-odd year-old continue to be retained and paid, say $2,500, when he could be usefully replaced by a nimble 20-year-old at half that pay?

It is all very well to say that older workers should change jobs or upgrade but obviously the promoters of this line of thinking are a little out of touch with the realities of the market place.

It is not difficult to establish that people work mostly for the money and it is this primary motivation that keeps them going to their places of work day after day.

If people are able to live longer nowadays, it is highly unlikely that they would choose to use the "extra time" to trudge to and from their workplaces day on day, week on week and year on year.

The poet, Robert Browning wrote: "Come grow old with me, the best is yet to be", but I do not think he had in mind "continuing employment" on an "8 to 6" or even a "9 to 5" basis.

Old people need a little dignity to live out their golden years. The prospect of working long hours as security guards or sweeping floors does not live up to that expectation.

One grows old hoping to reach the stage when one can relax and there is no need to work anymore.

The writer was a stock broker who retired during his working life, and is now "retired" after he has stopped working.

Today, Weekend, 4~5 January 2003

Letter by Leong Sze Hian

Tell them how much they really need

I refer to the article "Time to enjoy golden years" (TODAY, Dec 30).

I understand that the United Kingdom announced recently the abolishment of the retirement age.

The British are now being encouraged to work for as long as they like or, for that matter, retire earlier if they so desire.

I think one of the reasons Singaporeans continue to work is because of the fear that if one retires, one might not have enough money for the rest of his or her life.

I understand that according to the Practice Guidelines on Retirement Planning of the Society of Financial Service Professionals (Singapore), a male would need a capital of about $240,000 or $172,000 at age 55 and 62 respectively to provide a two per cent inflation-adjusted monthly income of $1,000 for retirement.

Perhaps more Singaporeans may choose to retire earlier or gradually scale down their work activities if they know roughly how much they need relative to how much they have now.

They can then do more of what they like as opposed to working full-time for the sake of earning the income that they think they need.

Today, Weekend, 22~23 March 2003

Article by Lee Yew Meng

To provide certainty …

In these uncertain times, insurance should be the first priority

Economic and job uncertainty makes it all the more necessary for a family to buy insurance, not avoid it altogether.

That, in a nutshell, is what financial planners are telling Singaporeans, many of whom may think putting food on the table or even getting a car are more important that setting aside a certain sum of money to insure themselves and their loved ones.

While food is essential for survival, the same is not true for buying a car, for example. Indeed the first priority is to ensure the family will always enjoy a similar quality of life whatever happens in the future.

Under a survival financial analysis, the family's breadwinner should be the first person to be insured. Financial planner Leong Sze Hian said, "The husband has to ask how much income he will have to provide for his spouse and his two children, for example. The wife, if she is working has to ask the same question."

Let's suppose, the surviving wife needs $2,000 a month after adjusting of inflation rate of two per cent until the child or two children are 25 years old. After which, she will need a lower $1,500 a month to fulfil her lifestyle needs.

Based on this requirement, the financial planner can work out the capital required if the family's breadwinner dies. The figure is computed based on a conservative return of six per cent a year and taking into account the wife's expected life expectancy of say, 80 years.

If the amount required is say, $500,000, then this is offset against the net asset worth of the husband.

For a newly-married 30-year old man, his net asset worth may comprise his CPF savings and bank deposit. His HDB flat or condo unit can be a liability if it is bought in 1995, 1996, 1997 or 1999.

Assuming his net asset available for liquidation is $100,000, he will need $400,000 ($500,000 minus $100,000) of life insurance to cover death and permanent disability.

A whole life policy with $50,000 coverage and a term insurance of $350,000 coverage will cost him about $1,500 a year. If he earns more, he may go for an endowment policy with a compound bonus element. But the annual premium can be a staggering $10,000. If not, he can take up a decreasing term insurance and pay only $400 a year – which is the cheapest in the market.

But with a term policy, he will get nothing if he loses a leg or arm. So he is better off including a personal accident insurance rider which may cost him $200 a year for every $100,000 in coverage. After the basic coverage, the second priority is medical insurance – such as for critical illnesses.

Although the CPF Board has Medisave and MediShield schemes to help, they are insufficient to cover a debilitating disease like cancer or stroke.

The question is how much coverage should he buy? "The bare minimum should be two years of his annual expenses" said Mr Leong.

But nothing frightens him more than being advised to insure a big sum in critical illness plans beyond his means to pay. "If his annual expenses are $20,000, how can he afford to buy a quarter million dollar in critical illness coverage."

Bear in mind, he may also have to provide critical illness coverage for his wife and tertiary education planning for his two children.

The earlier the insurance plan is made the lower the premium because the risk is less.

A child can be covered under an investment linked education plan when he is two weeks old. The plan includes death and permanent disability coverage. For $112 in monthly premium, the child can be provided with $200,000 in death coverage.

The plan provides for a $10,000 payment if the child contracts a critical illness such as leukaemia. If the father, who pays the premium, dies or is permanent disabled, the child's insurance premium is waived.

The family can cash out $30,000 when the child reaches 18 years and this sum can be used to fund his local university education. This amount can be withdrawn in yearly payment of $10,000 so that there will be continuing coverage in the next two years.

For example, if $112 in annual premium was paid 25 years ago, the coverage would have increase now to $700,000 or more. For this amount of coverage, a new policy holder now will have to pay $10,000 in annual premium.

So it pays to start young.

The $166 a month that you will invest for a decreasing term insurance with a personal accident rider for yourself and an investment linked education policy for your baby can go a long way to build some certainty or your loved ones.

Brought to you by DBSBank

Today, Thursday, 7 August 2003

Comment by Dr Ooi Giok Ling

The writer is Senior Research Fellow at the Institute of Policy Studies.

Together yet apart

There are common spaces for the different races to mix … so why aren't they mixing?

Neighbourhood school children are not making friends across ethnic groups. The tendency is for many of these children to pick friends who speak a similar mother tongue.

The results of the research into inter-ethnic mixing and relations among young children is not necessarily surprising although it should be of concern to all who would like to see strong inter-ethnic ties in Singapore.

Surveys done over the years have shown that while inter-ethnic ties have improved greatly, a number of older Singaporeans may not have that many more friends of a different ethnic background than the neighbourhood school students have.

Even in neighbourhood schools, it would be interesting to see what the extent and nature of inter-ethnic ties are among the teachers of different ethnic backgrounds. Organised discussions have indicated that teachers also tend to gravitate more towards colleagues of similar ethnic backgrounds.

I have two children who were in SAP (Special Assistance Plan) schools and have been concerned that the opportunities for them to form cross-ethnic ties have been really limited.

Yet, when the children of friends of different ethnicity have been invited to spend the day at our house, they have no problem finding common interests and spaces to relate to each other. Computer games, comic book heroes, food, soccer and cartoon films on television, I found, have universal appeal.

Policy frameworks to manage multi-ethnicity already provide the pre-conditions to encourage cross-ethnic relations and improve inter-ethnic ties. Ethnic quotas in public housing estates ensure spatial integration of different ethnic groups.

The policy assumptions of the ethnic quotas, however, need to be considered far more seriously in the light of the studies on inter-ethnic mixing among neighbourhood school children.

In public housing estates, spatial integration of the different ethnic groups need not necessary mean more opportunity to form cross-ethnic ties.

Residents are less likely to meet their neighbours and more likely to meet each other at church, mosque or the temple as well as the local coffeeshop or eating house, depending on their religious backgrounds, lifestyles and the amount of time spent in their housing estates.

In other words, the likelihood of social interaction is more often than not, among residents of similar ethnic backgrounds because of the common religious or cultural spaces or places that they tend to frequent.

This is not, however, saying that spatial integration has not been helpful because for the Chinese, who form the largest ethnic group, there has been quite a leap in the numbers who say they know neighbours and friends of different ethnic backgrounds.

The situation, however, suggests that mere provision of the policy framework to spatially integrate public housing residents is surely only the beginning of the process.

Ethnically mixed neighbourhood schools face similar challenges. Merely having the different ethnic groups in the same schools and declaring these to be common spaces may be only the beginning of the steps that are needed to promote interaction across ethnic lines.

Research has shown that while children of different ethnic groups may be in the same school, actual practices like class time-tabling and mother tongue requirements as well as the streaming of children into different groups according to academic performance may work to divide them along ethnic lines in many probably unintended ways.

Sports in schools promise a common space or ground upon which to build strong cross-ethnic ties. Almost everyone, regardless of ethnicity, appears to enjoy a game of soccer or basketball or even a simple race.

With the focus now on cranking up the zest for sports and games in Singapore, there is scope to explore how sports can also provide the glue for cross-ethnic friendships within schools and among schools.

First, however, there has to be some agreement that sports can be pursued without having to be a sporting person whose standard is at least of tournament level.

Focus on tournament standards – that is, school children who are good enough to win medals during school tournaments – have effectively taken much of the joy out of sports for most of our young people.

What we end up with in many schools are a concentration of Malay children in soccer teams, Chinese students in basketball teams and Indian children either in hockey teams or some athletic events.

Parental involvement in extra-curricular activities can help enhance the common spaces in schools and, by extensions, the estates where they live. Suggestions broached include inviting parents to be coaches in different sports, computer skills, and music as well as arts activities like drama or dance, and even cookery.

Parents of different ethnic backgrounds can help build greater understanding of multi-ethnic differences if drawn into and actively encouraged to participate in programmes aimed at propagating culture, arts and knowledge of different civilisations.

Perhaps, such parental involvement can bring public housing estates closer to the goal of ethnic integration with the spatial integration framework which is in place.

Today, Thursday, 27 November 2003

Letter by Leong Sze Hian

Is it right for molest accused to pay for charges to be dropped?

I refer to media reports about the molestation case where a man had to pay a maid $2,500 to drop charges against him.

The practice of the accused paying sums of money to complainants of molests, in order for charges to be dropped, raises issues of fairness and monetary discrimination.

Is it right for charges to be dropped on the basis of one's ability and willingness to pay compensation? Should the justice system allow one's freedom to be "bought" through negotiation between the accused and the complainant?

In the abovementioned case, the alleged molest occurred in a lift and was essentially the word of one person against that of another..

Would this not lead to more complaints of molest, as there is always the possibility of a financial gain to the complainant?

I believe the accused in this case was quoted in the media as saying that he has a phobia now and is afraid of entering a lift if there is a member of the opposite sex in it.

I know of someone who was accused of molest in a bus, had to pay compensation and is now afraid to sit or stand next to a member of the opposite sex in a bus.

Have we reached a stage where we have to be cautioned to avoid the risk of entering a lift with a member of the opposite sex?

TODAY, Thursday, 19 February 2004

Article by Loh Chee Kong

The e-way to save and spend

S'pore's first e-Savings programmed includes course on savings, budgeting, investing and sharing

Saving and spending will never be the same again with launch of Singapore's first e-Savings programme at Naval Base Primary yesterday.

Not only does the programme allow parents to monitor their children's daily expenditure and savings, it also enables both parent and child to learn better money management by managing money online.

The programme, which will be extended to 20 other schools by year's end, is developed by POSB and Chowiz, a local technology company that specialises in e-lifestyle.

The plan builds on the smart card system that Chowiz, together with EZ-Link Pte Ltd, started in 18 primary and secondary schools in Singapore. Under the e-Savings plan, parents can open tow accounts – an e-Pocket money account by logging into the Chowiz website, and a POSBKids account at any POSB branch.

After the child's allowance is deposited into his e-Pocket money account, both parent and child may jointly determine the daily limit the child can spend.

Any balance can be transferred to the child's POSBKids account, where it will earn interest.

The transfers can be made automatically through standing instructions, or at the Chowiz website, which also allows the child and parent to monitor the accounts.

The programme comes together with an e-Savings teaching curriculum, which consists of theoretical and practical sessions on savings, budgeting, investing and sharing.

Mr Chan Soo Sen, Minister of State for Community Development and Sports and Education, said at the launch yesterday: "With electronic money, if we are not disciplined and do not have the correct habits, we tend to overspend. We have to bring back the old good habits when we adopt a new technology."

At Naval Base Primary, while most people welcomed the e-Savings programme, it also raised several glitches with the smart-card system that needed to be remedied.

Canteen vendors revealed that the system slowed down transactions when students realised that they did not have enough money in their cards only upon ordering their food.

They said it reduced cash liquidity of vendors as their earnings were received through their bank accounts twice a week.

Some parents were concerned that their children would go hungry should they lose their smart-cards, as the canteen had adopted a cashless system fully.

Ms Zhou Meiqin, 33, whose son is in Primary 1, has been bringing him food every day for the past week. The child lost his smart-card and his father has been too busy to help him get a replacement.

However, Ms Cindy Tay, 42, who has a son and a daughter in Primary 1 and 2 respectively, did not face such a problem.

"We informed the school immediately when my son lost his card. They found it within a day," she told TODAY.

Ms Elizabeth Poey, principal of Naval Base Primary, reassured parents that their kids would not go hungry.

A "Care Corner" has been set up in the canteen to provide free biscuits for children who lose their cards.

There is even a concierge service that sends the replacement cards right to the students' doorsteps, she said.

TODAY, Friday, 20 February 2004

Letter by Leong Sze Hian

Cashless and hungry

Should students pay for ez-link facility?

I refer to the article, "The e-way to save and spend" (TODAY, Feb 19), which stated students can only buy items from their primary school's canteen using their ez-link cards and they have to pay $24 a year in fees because their school has gone "cashless".

How would students (or their parents) feel if they have to opt out of the scheme because they cannot afford the fees and when they see their classmates munching away when they cannot buy food?

I understand that there are thousands of Singaporeans who apply for financial assistance to pay for their children's school fees. It would be ironic if one receives such help, but unable to buy food in school, because one cannot afford the $24 fee.

I would like to suggest that the fee be waived for needy students.

In a sense, it is unfair that while adults are using cashless transactions all over Singapore without having to pay a monthly fee, primary school students have to pay for their school to be cashless.

As the monthly fee to attend a primary school is $5, the extra $2 fee is an increase of 40 per cent. If there are about 300,000 primary school students, and if other primary schools follow this example to go cashless, the total additional fees payable is $7.2 million a year. We should not take so much money from children to go cashless.

One of the stated benefits of this cashless scheme is it allows children to learn about budgeting and managing their finances from a young age.

I think students may like to learn that saving $2 a month at 6 per cent interest would grow to $10,408 when they retire at age 62; that is if they decide to opt out of the scheme by bringing their own food and beverages to school.

Some children may find it difficult to figure out the change due when they spend cash elsewhere if all primary schools go cashless, as they may have little experience using cash.

If the experience of cashless credit-card spending by adults is anything to go by, more children may end up spending more and saving less.

Perhaps, students may also soon learn that by sharing an ez-link card between two students is a saving of $1 a month for each of them, sharing between three students is a saving of $1.33, and so on.

TODAY, Tuesday, 24 February 2004

Reply by Emily Lim

Business development manager

Chowiz Pte Ltd

Being cashless benefits students

We refer to Mr Leong Sze Hian's letter, "Cashless and hungry" (TODAY, Feb 20). We would like to clarify a few points he raised in his letter.

Mr Leong mentioned that students who have opted out of the scheme would be unable to buy food. This is incorrect.

Every student in Singapore owns a Student Identification Pass, which is an ez-link card. This card is a stored-value card, which acts like cash.

With this card, students will be able to buy food from the school canteen, whether their parents sign up for our e-Lifestyle programme or not. We would also like to clarify that our e-Lifestyle programme is not just for e-savings and cashless payments at the canteen and bookshop. Besides the e-Savings, e-Canteen and e-Bookshop modules like e-registration, an attendance tracking system, a temperature log, e-messaging, "Steps" (Setting Targets for Excellent Performance in School), micro-payments, access control, calorie count, rapid poll and Web surveillance.

Our programme brings many benefits to the students, their parents and the teachers. With the programme, the students and their parents can track and monitor their diet, expenditure, attendance, temperature; and even set academic performance targets.

For teachers, it offers convenience as they do not have to handle administrative duties like taking attendance and can concentrate on teaching.

There are other intangible benefits. For example, during last year's Sars outbreak, we received much positive feedback from parents and canteen operators that the cashless payment system offers greater personal hygiene, as there was no handling of physical cash.

As Singapore makes further inroads towards a cashless society, it is inevitable that our young will grow up with little experience in handling physical cash.

It is for this reason that we have introduced the e-Savings module, which is an option provided free-of-charge, to help imbue in our students the core values of saving, budgeting, investing and sharing or philanthropy.

TODAY, Weekend, 28~29 February 2004

Article by Francis Kan

Deputy Business Editor

Budget with a long view

With the economy in better health, DPM Lee has rightly focused on the social issues

I last year's Budget was a desperate attempt to help Singaporeans fend off the effects of economic malaise, this year's can be viewed as a follow-up aimed at ensuring the country's long term prosperity.

The 2004 Budget speech, delivered by Deputy Prime Minister Lee Hsien Loong in Parliament on Friday, was short on the hard-nosed talk of costs and competitiveness that peppered his speech last year.

Instead, the focus was on the softer issues of healthcare, university education, and of course, babies.

Now that its economic strategy crafted with the assistance of the Economic Restructuring Committee – is largely in place after more than two years of painstaking effort, the Government has turned its attention to the more complex, social aspect of economic survival.

With the luxury of an improving economy that is expected to expand this year at its strongest rate in four years, the Finance Minister reckons the time's right for this. And rightly so.

An issue like the record low birth rates, if not dealt with decisively, will act as a drag on our economy that no amount of fiscal reserves can solve. To this end, DPM Lee provided a glimpse, if not the details, of the Government's plan to produce more Singaporean babies.

Longer maternity leave, better infant care and more flexi-work arrangements for mothers are clearly on the cards. Mr Lee has got former health minister Lim Hng Khiang to head the baby making effort.

Another tricky issue tackled on Friday was means testing for hospital admission. Speaking bluntly, DPM Lee warned that the current systems of subsidising healthcare would lead to either higher taxes or poorer quality healthcare. One way of ensuring subsidies reach those that need them the most would be a means test.

On university education, the Deputy Prime Minister set the scene for fees to rise as tertiary institutions here are given more autonomy. But he gave the reassurance that through scholarships, bursaries and loans, no deserving student would be denied a university place.

A "social" budget does not come cheap. The Government has projected a deficit of $1.35 billion for the financial year ended March 2004, following a deficit of $1.8 billion this year. This is despite the public sector's effort to cut waste and permanent 2 per cent cut in all ministries' budgets, except for the Ministry of Defence, in the next financial year, followed by another 2 per cent the following year.

Without the rebates and other help measures dished out in the last few Budgets, MPs and other observers were quick to cry "not enough"! Such a sentiment is understandable, considering the nascent economic recovery has yet to filter down to local businesses, and 88,000 Singaporeans still trudge the streets without a job.

But it's not that there were no goodies for businesses and individuals. Corporate tax was cut by two percentage points to 20 per cent, and while individuals will be disappointed that the Finance Minister decided to defer a cut to personal income tax, they were offered a tax exemption for income sourced from abroad as well as for earnings from financial instruments such as bonds and unit trusts.

Entrepreneurs also received help, with financing scheme currently reserved for high-tech start-ups to be expanded to all businesses.

But the Government's main thrust was clearly social, and with a longer time frame in mind.

Solving the baby problem, for instance, will take decades, but there is an urgency to deal with it now and in a decisive manner.

DPM Lee has given Mr Lim a National Day deadline to come up with a solid proposal to deal with the problem.

Perhaps this year's National Day Rally will see Mr Lee, in a new role, delivering the details of Singapore's great baby plan.

TODAY, Weekend, 24~25 July 2004

Article by Ng Shing Yi

Homeless, hopeless & help-less

An ambitious plan to start an open shelter for the homeless fails. Why?

His call was inspiring, and the public response so encouraging that he quickly set about turning his words into action. Within weeks, it was ready to run.

But business John Yap could find no takers for the open shelter that he, with the help of some 40 volunteers, put together so enthusiastically for Singapore's homeless.

In early July, two months after it opened, Singapore's first open shelter shut down.

In a letter to TODAY in March, Major (Retired) John Yap made an impassioned call for Singaporeans to step forward, roll up their sleeves and do something about the plight of the less privileged members of society.

Instead of expecting the Government to provide food and shelter for the homeless, let's start an open shelter, he suggested.

"If such a shelter existed, it could have vans drive around to pick up destitute people and take them 'home', especially on cold and rainy nights," he wrote.

“No fees, no registration, no qualifying status, no ‘means tests’, no questions asked, no obligations, no conditions, no fences, no locks (so no need to ‘escape’), no preaching, no kiasu-ism, no ulterior motive.

“Just plain, simple voluntary hospitality from one human being to another. Let’s help to plug the gaps in the system and, at the same time, become more humane, individually and collectively.”

Dozens of TODAY readers responded with offers of beds and beddings, clothes, food supplies, and money. Energised by this support, Maj Yap looked for a place for the open shelter and found a disused former boarding house in an East Coast suburb. Soon the shelter was set up – 32 beds, clean toilets, a kitchen – and Maj Yap set out to find some people in need of shelter.

No takers

During May and June, he spends hours cruising the streets of Chinatown, telling the homeless people he met about the shelter and offering to take them there.

None was interested.

“The homeless people I met were suspicious and asked me: ‘Why are you so good?’ They thought that I was out to trick them, that I was part of the Government or the military,” he said.

“I told them there was no obligation. They don’t have to stay long-term, or pay for anything. But they thought that nothing on earth could come for free.”

Disappointed and disillusioned, Maj Yap closed down his open shelter and is distributing the donated supplies to various charities.

He says his “idealism” has been “amended, fine-tuned” by the experience.

“If the homeless can’t even get along with their own family members, how can they stay in a shelter together? Put two or three of them together and they start fighting,” he added.

Good intentions

Was this a case of misplaced good intentions? It would seem so. While there are some homeless people in Singapore who might welcome a decent place to stay, the warm tropical weather makes sleeping in the open tolerable.

And many of our homeless who are prepared to accept the strictures of institutional life are already in one or another of the state’s homes, so those who are still living on the streets may simply prefer this. (See story below).

There is also the question of whether Maj Yap went about his plan in the most practical way. A shelter in a suburban area may not be suitable for people used to living on the streets of Chinatown.

And did Maj Yap lose heart too quickly?

Should he have explored the possibility of some kind of shelter closer to where the homeless hang out?

What is clear is that Singaporeans do respond spontaneously and generously when there is an appeal for help. But channelling the impulse to help and the generosity into a workable and sustainable effort to render help where it is needed calls for some very hard work.

The National Kidney Foundation is today perhaps the most successful charitable organisation in Singapore, with reserves of some $189 million.

It started life 35 years ago in a little room at the back of a staircase and at one point almost closed down.

"In the mid-80s, NKF almost went bankrupt," said Ms Michelle Ang, deputy director for communications at NKF.

"It came to the point where there was no money left; NKF had to play God – which patients had to live, which had to die."

Because of that "very traumatic period", NKF decided to build a "sustainable model" of business where no kidney patient would have to die due to a lack of funds.

"We went on different programmes to raise funds, from charity shows to pledge cards and hawkers pledging a day's profit to NKF. We brought down the cost of drugs and treatment, and through prudent financial management, saved money for our reserves," Ms Ang explained.

Offering a comment on Maj Yap's aborted project, she said: "He's only given it two months. It's a matter of trying, meeting people, spreading the message that you want to save people's lives. You must be very clear about your mission."

TODAY, Weekend, 24~25 July 2004

Homeless in Chinatown – What three men had to say

Sleeping on pieces of card board on the ground in Chinatown is Mr Low Karm Memg, 59. Unemployed for more than a decade, he has been sleeping on the streets for a year.

Mr Low used to while away the days in the National Library at Stamford Road and then find a place to settle down for the night along Beach Road. But he moved to Chinatown when he was robbed of his passport one night.

Sleeping in the open was “dangerous”, he said, especially since a bad economy can lead to thievery.

Why doesn’t Mr Low ask for a place in one of the State’s homes for the destitute?

“The Government has places, but no one likes them. Why? Go in, can’t come out. They’re only a notch above prison. They even have security guards,” he said in Mandarin.

So, what would he like to see?

“My suggestion is a place with some freedom. Not where you can’t go out after 7pm. No drinking or gambling, is okay. If there are simple jobs they can recommend you, even better,” he said.

Indeed, Mr Low’s greatest wish is to have a small stall where he can sell newspapers and magazines.

When TODAY told Mr Low about Maj Yap’s failed open shelter project, he gasped in disbelief.

“Why don’t people want to go? I don’t understand. I did not know that it existed. If I did, I would have gone. There’s no reason why not, if there’s food and showers and no locks. Not even one person went to the shelter? Why didn’t he advertise? It’s a dream. Ideal! He’s a good guy!” he said.

Around the corner we found Mr Khoo, 75, sleeping on two chairs.

Asked whether he would have considered staying at the shelter had he known about it, he said in Hokkien: “I must take a look at the place, look at its conditions first. If it’s good, I’ll ask my friends to go.”

But when told the shelter had been in a suburban area, he said: “If the area is hard to get to, who will drive me there? And if the place is located deep inside, with long road out, it’s very troublesome to come out. I like to walk around. Food is not enough; the hawkers in Chinatown give me food.”

The third man we spoke to was Mr Ho, 80. All he would say, in Cantonese, was: “Old already, nearly time to die, why go to a shelter? Why leave here? It’s too troublesome, why go?”

TODAY, Wednesday, 4 August 2004

Letter by Gerard Ee, president

National Council of Social Service

Charities should be registered

Maj Yap's shelter could have had a better chance to succeed

We refer to recent reports in TODAY about the aborted efforts of Major John Yap to start a shelter for the homeless.

Your readers will be pleased to know there are already 10 welfare homes in Singapore – including Pelangi Village, Jamiyah Home for the Aged, Christalite Methodist Home, Bukit Batok Home for the Aged and the Moral Welfare Home – catering to the care and rehabilitation of the destitute.

These are run by volunteer welfare organisations supported by the Ministry of Community Development and Sports.

Though such services already exist, the National Council of Social Service (NCSS) is heartened to learn about the heartfelt response by many Singaporeans who read about Maj Yap's idea of running a shelter.

It applauds such ground-up initiatives to serve the needs of the community. However, the NCSS strongly encourages that these initiatives be run by charities that are registered properly so that these commendable efforts have a good chance of success.

Registration allows charities to have access to existing social service networks and resources. Being able to plug into a network of service providers is imperative for a new charity as it would then be able to learn from the experience of others who have set up similar services.

In the case of Maj Yap, he could have tapped on these networks for potential client referrals to his shelter. In addition, a registered charity would be able to obtain tax reductions for its donors if it is accorded the status of an Institution of Public Character. Unregistered charities cannot apply for this benefit.

Charities that serve social service needs can also apply to be a member of the NCSS. Our member organisations are able to tap on a whole range of services that charities need to serve the community better e.g. free consultancy services to enhance management, operations and services, networking opportunities, access to the NCSS funding and volunteer training programmes.

The NCSS supports the effort of the community to help the disadvantaged in society. However, these plans need to be supported and facilitated by the right infrastructure to ensure stability and success of the programmes.

TODAY, Weekend, 28~29 August 2004

Letter by Leong Sze Hian

Make it worthwhile for us to leave a will

The Public Trustee provides a service to people who die intestate (that is without a will), by administering their estate for a fee of about 2.4 to 6 per cent on the value of the estate.

This is only available to small estates not exceeding $50,000.

According to its website, the primary purpose is to assist and reduce the costs of having to engage a lawyer for a small estate. But apparently, the Public Trustee does not administer small estates if one dies with a will.

If the deceased leaves only $5,000 without a will, the Public Trustee's fee is about $300. But, if the same deceased has a will, the costs of using a lawyer can run into a few thousand dollars.

Why doesn't the Public Trustee administer small estates when one dies with a will?

The Ministry of Law's website encourages everyone to write a will and indicates that the role of the Public Trustee is to help Singaporeans with small estates, with no mention that only those who die intestate are eligible.

Writing a will is also encouraged by the legal profession, financial services industry, etc. It ensures that one's assets are distributed in accordance with one's wishes and also expedites the distribution process.

The policy, thus, is discriminatory. Does this mean that those with a small estate should consider not writing a will?

TODAY, Monday, 30 August 2004

Reply by Moey Weng Foo

Assistand Public Trustee

For Public Trustee

Executor's right to decide to cede role to Public Trustee

We would like to thank Mr Leong Sze Hian ("Make it worthwhile for us to leave a will", Aug 20-29) for his feedback.

As a general principle, where a testator has made a Will and has selected one or more of his friends or relatives whom he trusts to be the executor or trustee of his Will, the Public Trustee does not handle the administration of the estate.

The reason is that the testator would have decided that the person he appointed would be in the best position to carry out the last wishes of the testator.

The executor or trustee would have also given his consent to the testator as to his willingness to administer the estate and execute the wishes of the testator.

However, the Public Trustee Act recognises that there may be some cases where the value of the estate may be small, for example, below $5,000.

In such cases, the executor or trustee who had given his consent to the testator must decide whether to continue to administer the estate, or request the Public Trustee to administer the estate instead.

Under the Public Trustee Act, when such an application is made, the Public Trustee must exercise his discretion as to whether to administer the estate.

He will look at each case on its own merits and whether the Public Trustee will be able to execute the last wishes of the testator.

The Public Trustee has been approached by executors to administer estate below $5,000 and has taken over the administration of such estates.

The Public Trustee will continue to provide the necessary assistance in such cases on a case-by-case basis.

TODAY, Tuesday, 31 August 2004

Letter by Francis Tan Boon Yiam

Public Trustee, clarify figures

I read the letter by Ms Moey Weng Foo, Assistant Public Trustee ("Executor's right to decide to cede role to Public Trustee", Aug 30) in response to Mr Leong Sze Hian's letter.

I am the executor of my late father's will and his estate falls within the $50,000 limit that the Public Trustee can legally administer. I called up the Public Trustee's main line to find out how I could ask it to execute the will instead of doing so myself.

After my call was transferred several times, I was told that once a will is made, the Public Trustee does not administer the estate – whatever its value.

This contradicts Ms Moey's reply, which stated that such requests are considered "case by case". The Public Trustee should make its procedures easier and advisers more helpful and compassionate.

Also, its reply said it "has taken over the administration" of estates below $5,000 in the past. Can it clarify the figures?

TODAY, Friday, 29 October 2004

Article by Tay Tsen Waye

No more free switches?

LIA moves to curb churning, critics pan fee proposal

The spotlight may be errant insurance agents misleading their clients into switching between investment- linked products (ILP), but what of consumers who have developed a bad habit of switching actively on their own accord?

To discourage such practices, the Life Insurance Association (LIA) has proposed several guidelines that could go some way in reducing the problem.

The proposals come a day after the LIA submitted investigation reports from 12 member insurers to the CPF Board, detailing potential cases of improper switching using CPF savings.

In the third quarter alone 12,000 insurance policies bought with CPF money were surrendered. Although the number has halved since last year, it is not known how many of these are due to switching.

LIA president and UOB Life Assurance managing director Raymond Kwok proposed doing away with free switches, which allow customers with ILPs to switch investments without a fee or surcharge.

Mr Kwok said that “free” did not extend to the insurer who had to absorb an “activity charge” incurred during the processing of the sale and purchase transactions.

Moreover, switching can be detrimental to other policy-holders, he noted.

“That expense is borne by other policy-holders who have invested in the same fund but didn’t switch,” said Mr Kwok.

Doing away with free switches or imposing a penalty after a maximum number of free switches have been used could act as disincentives to unnecessary switching, he explained.

But chartered financial consultant Leong Sze Hian disagrees with the proposal.

“To fix a small problem of churning affecting a few people, you charge everybody else. It doesn’t make sense,” he said. “The solution is to change the way financial institutions remunerate their agents.”

Indeed, another LIA proposal is to reduce the high front-end charges or commissions that encourage agents to push for the switching of products.

Already, some insurers have been disciplining agents found to be abusing loopholes in the system.

AIA executive vice president and general manager Mark O’Dell confirmed that some AIA agents had been sacked since investigations started last year.

On the industry’s performance, the LIA said that for the first nine months of the year, the life insurance industry collected $5 billion in new business premiums, up 52 per cent from $3.3 billion in the same period last year.

On a weighted basis, the total new business premiums rose 24 per cent to $796 million in the first nine months of the year.

TODAY, Tuesday, 10 May 2005

Letter by Leong Sze Hian

Was the late former President Ong given a state funeral?

I refer to media reports that the honour of state funerals was accorded in the past to former presidents Yusof Ishak and Benjamin Sheares.

I would like to ask whether a state funeral was accorded to the late former President Ong Teng Cheong when he died in 2002.

If not, why is it that he is the only president who was not given a state funeral?

As Singapore's first elected president, I think many Singaporeans may feel that he deserved a state funeral.

"The late President Ong Teng Cheong dedicated 27 years of his working life to public service, as President for six years, Deputy Prime Minister for three years, Second Deputy Prime Minister for five years, Secretary-General of NTUC for 11 years, chairman of the People's Action Party for 12 years, Minister for Communications, and Member of Parliament for 21 years.

Who decides whether a former president is to be given a state funeral? Is there some criteria for deciding on a state funeral?

I suggest that a state funeral be accorded to all former presidents who die in the future.

TODAY, Weekend, 14~15 May 2005

Reply by Chen Hwai Liang

Press Secretary to the Prime Minister

Honour rites still evolving

No formula for state funeral entitlement

Mr Leong Sze Hian (TODAY, May 10) and Mr Goh Choon Kang (Lianhe Zaobao, May 12) have asked why the funeral arrangements for MrOng Teng Cheong and Dr Wee Kim Wee, both former presidents, were not the same.

Mr Ong Teng Cheong received a state-assisted funeral, while Dr Wee Kim Wee received a state funeral. Mr Goh Choon Kang suggested that we should have definite rules on who is entitled to a state funeral.

When Singaporeans who have made major contributions to the country pass away, it is right and fitting that they be honoured and mourned by the nation. They may or may not be former Presidents. The appropriate way to do so will vary with each individual.

It is not feasible to have a set formula as to who should receive a state funeral, based simply on the person's rank or the appointment that he or she had held. It depends on the person's services to the nation, as well as other special circumstances.

Persons who have made truly exceptional contributions will receive a state funeral. The decision to hold one is made by the Prime Minister and the Cabinet.

If they decide to offer a state funeral, they will of course consult the family members and take into account their wishes.

Singapore is still a young country. Our practices and customs for public ceremonies and observances are still evolving.

As the years pass, we will gradually establish norms and traditions that will reflect the Singapore way of honouring our best sons and daughters who have passed away, that is dignified, restrained and expresses the gratitude and sense of loss of the nation.

TODAY, Thursday, 23 March 2006

Letter by Leong Sze Hian

Help them, don't penalise

Change HDB housing policy for divorcees, separated singles

I refer to the Housing and Development Board's policy for divorcees and separated singles.

Divorced singles who are 35 years or older, but have not met the five-year minimum occupation period (MOP) for new or resale HDB flats bought with the CPF Housing Grant for Family, are not allowed to retain their existing HDB flat under the Single Singapore Citizen scheme.

Separated singles have to dispose of their existing HDB flat in the open market if they have met the MOP, or return the flat to the HDB at the prevailing compensation price if they have not completed the MOP.

Couples may normally have to go through a period of separation before they become legally divorced.

While it is understandable for the HDB to support the national pro-family policy, its policies may have no impact whatsoever on "pro-family" – because how many people will have their decision on whether to divorce or not on HDB's housing policy for single divorcees and separated singles?

It may even have the opposite "non pro-family" effect of encouraging people to buy as a single first, and deter marriage, in view of the rising divorce rates in Singapore.

Being advised to rent a room or live with relatives is hardly a viable option for some divorcees. The worst thing we want is to drive divorcees to quickly get married again, just to fulfil their housing needs.

Instead of recently tendering out a few hundred of its 9,000 flats that have remained unsold for many years to a commercial company to rent out to say foreigners, why not make them available to Singaporeans divorcees or others who may need them more?

Quitting marriage is not a crime. We should help them to get on with their lives, instead of penalising them for their most basic need of a home to live in.

TODAY, Friday, 24 March 2006

Letter by Leong Sze Hian

Do you know who your estate beneficiaries are?

I refer to media reports in which the Consumers Association of Singapore, or Case, has raised the problem that those under the Dependents' Protection Scheme (DPS) now have to write a will or re-nominate beneficiaries by submitting a form, depending on which of the two insurers they are insured with.

The CPF nominees for some who have died since the transfer of the DPS to the two private insurers on Sept 17 last year will not receive the DPS proceeds as intended by the CPF account holder who was insured.

For example, some may have nominated their parents. But, if they die intestate – without a will – the DPS proceeds will be split equally between the spouse and children, leaving nothing for their aged dependent parents.

Surely, something has to be done to redress this, since hardly anyone knows that they have to write a will or re-nominate beneficiaries following the privatisation of the DPS.

Writing a will at a cost of about $150 to $350 may not be the best solution, because lower-income Singaporeans may have to pay thousands of dollars in legal fees and other costs to probate the will and the estate's distribution on death.

And families of those who die with a will cannot avail themselves of the low-cost services of the Public Trustee if the dead person's assets exceed $5,000.

Therefore, the families of those with not more than $50,000 in the estate may be better off if he dies without a will, so that they can use the Public Trustee's services, available to intestate estates not exceeding $50,000.

In contrast, the limit for those with a will is only $5,000.

The additional costs of writing a will may also negate the DPS privatisation premium savings.

TODAY, Tuesday, 5 September 2006

Comment by Yvonne Lim

We have a problem, no kid

Readers chime in on how to get S'poreans' baby-making juices flowing … so to speak

No suggestion is too tar-fetched; it seems, in the desperation to get Singaporeans to breed more prolifically.

The rate at which readers conceived views and ideas – with more than 40 letters received over a fortnight – proved that the topic, if not the populace, was fertile ground indeed.

Even so, Ong Kean hin's proposal ("1 S'pore wife + 1 foreign wife = more babies", Aug 25") to promote polygamy proved too much to swallow for most readers, who derided it as ridiculous, preposterous, chauvinistic.

Readers such as Junifer Chua and Lewis Kong countered with a "1 S'pore husband + 1 second husband = even more babies" equation. Dianne Loh retorted: "Reading the letter has finally enable me to pinpoint exactly why Singapore women are just not taking the bait of Singapore men."

In an as-yet unpublished response to all this, Ong says he is "glad to see that Singaporeans are mature and responded well. I had expected worse. Anyway, I am glad people took my suggestions as a joke."

A father of three, he shares that were he to plan his family today, he would do things very differently. "When we planned our family back in 1990 as a young couple, we were confident we would have our jobs and would continue to earn more.

"But if you were to ask any Singaporean today, his view would be different. Many worry about their job and pay cuts. Coupled with the increasing costs of healthcare and education, few would dare to have more children.

"Company cost-cutting often means making two persons do work meant for three. The two who are working are so stressed that their ability to reproduce drops drastically, while the third that is jobless is in no mood to reproduce.

"Singapore has to learn that life is not always about profit," Ong concludes.

His comments essentially sum up the problem as most readers see it; Can Singaporeans today afford to make babies?

While it might be argued that it is too soon to really call the results, some readers were quick to dismiss the Government's baby bonuses – introduced in 2001 and enhanced in 2004 – as having failed to achieve their desired effect. At best, they provide short-term relief, they said.

Reader C J Lim, who got married in his early 20s and has one child, shared what was holding them back from having more. "We are not rich and have many commitments, such as supporting our parents. From the moment you realise that your wife is pregnant until your baby is born, you need to pay about $10, 000," he said.

"One day, I took my daughter on the bus and the driver demanded that I pay the fare for my four-year-old daughter.

"It's also very expensive to have to pay the full adult movie ticket price for a kid her age just because she is 90 cm tall. And every time my daughter is sick, I need to pay more than $100 to take her to a doctor."

What he thinks the Government should look into: The daunting hospital maternity bills and transport fees, as well as allowing the use of Medisave to pay the full maternity delivery fee and for the treatment for children.

Larry Ong, with one daughter and another child on the way, points to other road-blocks for couples.

Infant and childcare costs are certainly formidable. "My daughter's first 18 months in infant care cost us $800 x 18 = $14,400 … and that was four years ago."

And then there is the future to think of, "So many companies are cutting manpower and costs. I really worry about our children's future: Will there be enough jobs for them and us?"

Soh Poh Huat also reflected another worrying trend: "I am just wondering whether our employer support our Government's policies. Recently, my sister-n-law was demoted and had a pay cut when her employer discovered she was pregnant. I hope the Manpower Ministry of labour movement will 'shame' such companies."

Michael Loh Yik Ming summed up the conundrum thus: "The young working generation today have been trained well to look at life in terms of assets and liabilities. The truth is, children today are liabilities; a drain in terms of time, money, attention and almost every part of any parent's life.

"Indeed, reflecting upon their lives, they have come to realise that they themselves were a burden and liability to their own parents. We hear stories of parents mortgaging their homes to provide funds for a university education, or even pulling double shifts just to make ends meet, or for that extra dollar for music lessons."

So, how can we get parents to see kids as not liabilities, but assets?

Wong Teck Hian ("Having babies – the costs and the joys", Aug 24) suggested granting further housing subsidises progressively, the more babies a couple has.

Tan Keng Soon ("To boost births, reform the CPF", Aug 23) offered a unique solution. Harking back to the old days of farming communities, he noted that families were large for very practical reasons – manpower for framework, and a source of support for parents in their old age.

But that compulsion to have babies no longer exists today. It can, however, be recreated. Tan suggested mandating that children, once they start working, contribute to their mother's CPF account – becoming, in effect, a source of "pension funds" for the parents.

In response, readers pointed out problems, such as the fact that children who already have it tough enough at the start of their career (servicing housing loans, for instance) will be even more burdened.

Some, like William Tay, found it "disgusting" to think of babies in terms of assets and liabilities. Charles Tan Meah Yang found it "extreme worrying".

"To suggest that we impose further controls over our money, our children's money – and to arbitrarily decide what percentage of a child's salary his parents deserve – is appalling, and reminiscent of a chauvinistic Chinese era long past," he said.

"What of abusive or absent parents, would they qualify? And what kind of upbringing would a parent give a "cash cow" child? One with all work and no play, I suspect."

Such passion can be appreciated. But in this flawed world, must we bow to the modern reality of human nature – namely, that Singaporeans won't have babies until they are convinced of how it will tangibly benefit them?

Lynn Tan argues that for young couples today, investing in oneself makes more sense than an uncertain investment in a child.

"Past generations adopt the get-married-and-have-children mentality without question and assume it is part of what my grandmother calls "the circle of life". But with a generation of married couples who are well-educated and who value their freedom and quality of life even after marriage, children are no longer top priority," she says.

"Rather than investing time and money in a child where the returns are not guaranteed, it might make more sense to spend that time and money on pursuits that will elevate your material status, broaden your mind or improve your general well-being.

"My husband always reminds me that when and if we decide to have a child, we must do it without expecting anything in return. I find this very difficult because I feel that it is

this expectation that strengthens the parent-child bond … for me, there are other priorities a-calling."

TODAY, Monday, 18 September 2006

Letter by Leong Sze Hian

Time to review Hope scheme?

I refer to the articles, "We have a problem, no kid" (Sept 5) and "A class with room for all" (Sept 1).

The Prime Minister said that no child will be left behind, and that with the widening income gap, the solution lies in education – giving children from the poor families the "best possible start in life" and the chance to do better than their parents.

In his National Day Rally speech, Mr Lee Hsien Loong noted that some families still faced difficulties and urged them to take advantage of schemes such as Home Ownership Plus Education (Hope), which some 600 families have joined.

According to the Department of Statistics' General Household Survey 2005, there were 113,646 households with monthly income below $1,500, and 106,384 households with no working persons and thus no income from work.

There were 105,630 "young couples", and 176,620 resident households with wives below 35 years old; 346,563 wives had lower secondary or below education.

These, together with some of the 195,013 with secondary education, may meet Hope's criteria that both parents have no more than two O levels.

Since the husband can be above 35 to qualify for Hope, some of the 337,612 "middle-aged couples" who earn less than $1,500 household income may meet this age criterion.

So, why is it that only 600 families have qualified for Hope – which helps couples (both citizens, or citizen with permanent resident spouse), with less than $1,500 monthly household income, low education, not more than two children, or widows to own an HDB flat and educate their children?

Three years after the launch of Hope, what percentage of Singaporeans who meet the basic criteria are among the 600 now under the scheme?

I would like to suggest that the scheme's qualification criteria, assessment procedure, and implementation process be reviewed, so that more needy Singaporeans may avail themselves of its benefits.

To address the problem of our declining birth rate, Hope could try to reach out to more families, so that those who qualify may be encouraged to have two children. If most end up doing so, it may lead to a marked improvement on the current birth rate of 1.24.

Perhaps it is time to review policies like Hope which affect the poor's procreation, their children's education, and the statistical probability of their breaking out of the poverty cycle.

TODAY, Wednesday, 27 September 2006

Hope for young, needy families

Scheme caters to specific group; different programmes available for other needs

We refer to Mr Leong Sze Hian's letter, "Time to review Hope scheme" (Sept 18). We share Mr Leong's concern for low income families and want to help give children from poorer families the best possible start in life.

The Hope scheme is a targeted, voluntary programme to help young, low-income families move out of the poverty trap by providing them with up to $100,000 in a comprehensive range of benefits that includes housing and training grants.

Families who choose to come on the scheme should have not more than two children, so that they can concentrate their limited resources on the children and give them a good head start. The scheme is not meant to address the problem of our low birth rate, for which there are other programmes.

The qualifying criteria and assessment process for Hope were recently reviewed to allow more vulnerable families to benefit from the scheme, and to provide for more flexibility. This included an appeal process for families who marginally miss the criteria and who have exceptional circumstances that merit their participation.

With these changes, we estimate that about 6,000 families can be eligible for the Hope scheme.

The scheme is not meant for all needy families. For example, if a family has more than two children, or the wife is more than 35 years old, the family will not qualify for the scheme. There are other schemes available for these families.

For example, the Kindergarten Financial Assistance Scheme and the Centre-Based Financial Assistance Scheme for Childcare provide assistance for children from needy families to attend kindergarten and childcare respectively. In 2005, these two schemes helped about 25,000 children from low-income families to attend pre-school.

We will do more to get as many eligible families on the Hope scheme as possible. We will work with community-based organisations such as the Family Service Centres and self-help groups to identify and reach out to potential families.

Families interested in the scheme can call 6354 8276 or approach their Community Development Councils for details. Contact details of the respective CDCs are available at www.cdc.org.sg

TODAY, Friday, 8 September 2006

Article by Chow Penn Nee

Access your credit record and payment history online

From next month, consumers can view their personal credit records and payment histories online with the launch of My Credit File – Online by the Credit Bureau Singapore (CBS).

CBS provides credit-related information to banks for the purpose of checking the creditworthiness of their existing and prospective customers.

Consumers can log on to www.creditbureau.com.sg and pay $5 for the report. Currently, personal credit reports are available at SingPost branches or at the CBS head office.

"This is a proactive step on our part to prevent identity theft", said CBS general manager Mark Rowley.

Another service, My Credit Monitor, which notifies consumers via email or post each time a bank makes an enquiry on their file or if a missed payment is recorded on a client's file, will be available online in the coming months, CBS said.

TODAY, Tuesday, 26 September 2006

Letter by Leong Sze Hian

President, Society of Financial Service Professionals

Free public forum on debt-free living

We refer to the article "Access your credit record and payment history online" (Sept 8) and to media reports that a growing number of young Singaporeans are deep in debt – borrowing from banks and running up credit card bills.

The number of undischarged bankrupts at 24,138 and estimated rollover debt of $2.78 billion, are at record highs.

There is also now a proposal to lower the annual income qualification for unsecured credit from $30,000 to $20,000.

There are an estimated 450,000 wage earners in the $20,000 to $30,000 bracket, and the actual numbers taking out unsecured loans is estimated to be about 250,000.

To help Singaporeans better understand and manage debt, the Society of Financial Service Professionals, in collaboration with the Credit Counseling Service, will be holding a free public forum.

Called “Debt Free Living: How get out of debt? How not to get into debt?”, the talk will be held on Sept 30 at the NTUC Income Centre, Bras Basah Road, from 2pm to 5pm.

TODAY, Monday, 28 August 2006

Related Article by Cheng Yoke Wah

A matter of heart, not passport

So much has been said about the immigrant debate by “true-blue” Singaporeans that I am compelled to give my viewpoint as a Singapore Permanent Resident (PR) here for over 20 years.

I came to Singapore as a teenager to study and started my career here. I met my future non-Singaporean spouse and got married in this land; my husband and I are now PRs.

I am one of those PRs who may never take the final step to sever ties with my home country. But am I any less loyal to Singapore?

Whenever the Singapore National Anthem is played, I joined in and sing sincerely, sometimes more enthusiastically than many Singaporeans.

There is no sense of betrayal to my home country because, as the anthem goes, a progressive Singapore with its united people living harmoniously is also what I would wish for.

During each National Day Parade, I watch and glow with pride, even as my eyes water when the choruses of “this is home, truly” resonate.

I often find myself defending Singapore and its policies to “true-blue” Singaporeans. My friends and relatives in my home country regard me as the true ambassador for Singapore.

What is most significant is this: All my three sons were born here. I entrust them to the education system and they grow up knowing only Singapore as their home. When we visit our home country once a year, my boys enjoy their stay there but can’t wait to get “home”.

In time to come, my sons, as second generation PRs, will be required to serve National Service. Will they do it?

I don't think it will be a difficult decision. Their friends in school will be doing their NS; in their all-boys school, their teachers tell them stories about NS which they absorb eagerly. It will most certainly be a rite of passage that requires no debate.

Nevertheless, on my part, it is unlikely that I will convert my citizenship. This is despite the love for my adopted country, which I believe I have shown, through my daily decisions and actions.

If I were to draw a parallel, would it be fair to ask a person to sever ties with her biological parent to show her love for her adopted parent?

Citizenry is rooted deep in a person's psyche; it is a highly-charged and emotive issue. It is not something to be traded or taken lightly. People who have made the decision are certain to have personal reasons for it.

Marriage to a Singaporean may be one. For others, it may have been strong push factors. But the point is this: Singaporeans should take a long-term view. Citizenship is not something that one changes lightly. The process is evolutionary, not revolutionary.

How many "true-blue" Singaporeans do not have forefathers who were once citizens of another country? Do they not see a similar pattern emerging in the current situation?

My three sons, from what I see, will most certainly become sons of Singapore – whether as PRs or citizens.

On this note, a word of caution on the reverse-flow: Many Singaporeans now working overseas are building a life and family in another country. These first generation overseas Singaporeans would probably have close ties and bonds to Singapore, built on memories and a common history.

But would their children have similar yearning for and loyalty to the country? Would their children be able to fit in if they were to return home after a long period overseas?

Singapore is already facing an awesome task, trying to reach the young who are physically here in Singapore through national education – what more these second generation Singaporeans who have been away over an extended period, or who carry the Singapore passport but have never lived here?

At the end of the day, Singaporeans need to accept that the world is a global village. There is free flow of people movement across most borders.

If they do not want foreigners to us the country as a stepping stone, it is left to them to make it a welcoming and deserving place to sink their roots. And they have done in my case.

There is a Chinese saying, that a close neighbour is equivalent to a blood relative who is far away.

Applied to this context, may it also not be true that a "foreign" person who is living here and contributing to the country is worth as much to the country as the Singaporeans who are overseas?

TODAY, Thursday, 5 October 2006

Letter by Leong Sze Hian

Will they defend S'pore?

About 30% of Permanent Residents who do NS holding on to their foreign passports

I refer to media reports about more sons of foreigners who have moved to Singapore opting to do National Service (NS).

The authorities say that since the year 2000, there has been an upward trend in the number of Permanent Residents (PRs) enlisting for NS.

About 70 per cent take up Singapore citizenship soon after completing their military training.

The remaining 30 per cent hold on to their overseas passports indefinitely, but they can take up citizenship whenever they choose to.

Saying that "there has been an upward trend in the number of PRs enlisting for NS" is meaningless, unless we know whether it is based on absolute or proportional numbers. Which is it?

If the number increases from 100 to 200, but the PR population increased from 100,000 to 300,000, then the trend is actually declining in proportional terms.

The fact that sons of PRs must leave Singapore if they do not do NS may be driving some of them to choose NS, but not citizenship yet.

Last year's Department of Statistics' General Household Survey showed that the number of PRS rose by an average of 8.7 per cent a year, or about 30,000 annually, from 2000 to 2005.

While many immigrants take up PR, few go on to become citizens.

In 2002, only 7,000 out of 290,000 PRs did so.

For the 30 per cent who hold on to their overseas passports indefinitely after completing NS, are they obliged to and will they defend Singapore in the event of military conflict?

Some Singaporeans, such as me, who have served NS, would like to know.

TODAY, Friday, 6 October 2006

Reply by Rick Bryant

A passport to options not split loyalties

I refer to media reports and the letter from Leong Sze Hian, “Will they defend Singapore?” (Oct 5).

It is quite natural for Singaporeans to question the motives of Permanent Residents (PRs) who do not opt for citizenship. And, gripped by an attack of patriotism, it is also easy to jump to the conclusion that the loyalty of PRs is suspect if they don’t take up citizenship.

However, before drawing a conclusion about someone else’s motives, it is perhaps a good idea to first place yourself in their shoes.

Taking up citizenship is not just about loyalty; there are other issues involved. Frankly, the benefits of becoming a citizen, balanced against giving up other passports, just aren’t there for many of us. And, I stress, the problem is relinquishing passports, not allegiance.

My son has never lived anywhere else but in Singapore. But, like me, he holds the British and Australian citizenship. He will do his National Service (NS), I hope, proudly and with distinction, and, of course, that his loyalty will be to Singapore.

There is no logical reason for it to be placed anywhere else.

It makes no sense to suggest that someone who has spent his whole life here would suddenly develop an allegiance to a foreign country with an alien culture just because, by descent, he has a passport from that country.

In addition, many PRs who have been here long enough to have sons in NS also have a home and assets here. Again, it makes no sense to suggest that anyone other than an extremist would throw all this away to support some other country.

Looking at the possibilities from a realistic, not emotional, viewpoint would also suggest that the likelihood of such a conflict occurring does not warrant the focus this issue receives as part of the citizenship debate.

When I obtained PR for myself, I also got PR for my son, thereby obligating him to do NS. I could have kept him here on a student’s pass and avoided this obligation. Choosing to have him serve in the Singapore Armed Forces say far more about where my loyalty lies than the passport I hold.

Singapore has been good to me and my family, and this country deserves my unqualified support.

But I cannot, in all conscience, recommend that my son give up his Australian or British passport. It is not about loyalty but options. With a British passport, he has the option to live and work anywhere in Europe. His Australian passport gives him the same option in both Australia and New Zealand.

Many PRs also have relatives in their home country. It's just a lot more convenient to retain that passport than to join the visa queue. And, of course, some countries regard it as an affront that you have given up their citizenship for another, adding yet another dimension to the visa equation.

In addition, some PRs have property in their country of origin that they can own only as citizens.

Australia is a country built on immigrants, many of whom still retain their ancestral Italian, Greek, English, Chinese, Vietnamese passports – but who are nonetheless fiercely proud of being Australian. Allowing dual nationality has not resulted in divided loyalties there, and will not do so here. Home is where the heart is, it is not about a piece of paper.

Like Singapore, America, too, requires the relinquishment of other citizenships on obtaining American citizenships. To believe that swearing allegiance of loyalty to one's adopted country is naïve.

It may have been true 100 years ago when the flag and Mum's home-made apple pie were what life was all about in America and people took these things seriously. But the continued allegiance to other cultures, of even second-generation "Americans", as recent terrorist events bear witness to, clearly demonstrates how outdated this concept is in today's more sophisticated world.

The minute Singapore looks at the bigger picture rather than focusing on the issue of divided loyalty, and adopts a pragmatic view by allowing people to retain their original passports, there would be a flood of citizenship applications.

Despite holding other passports, 99.9 per cent of those applicants will be dedicated and loyal to Singapore and will accept Singaporean citizenship with a great deal of pride.

And I will be first in the queue.

TODAY, Friday, 13 October 2006

Reply by Col Benedict Lim

Director, Public Affairs

Ministry of Defence

PRs who've served NS may be called up

I refer to Mr Leong Sze Hian's letter, "Will they defend Singapore?" (Oct 5).

National Service (NS) is a key institution that is vital to the security and defence of Singapore. Permanent Residents (PRs) who choose not to apply for Singapore citizenship after completing full-time NS remain liable for Operationally Ready NS under the Enlistment Act. This means that they have to fulfil their duties as Operationally Ready NSmen and defend Singapore in times of emergency.

We would also like to clarify that there has been an upward trend in the number of NS-liable PRs enlisting for NS from 2000 to 2005 in both proportionate and absolute terms.

TODAY, Weekend, 7~8 October 2006

Reply by Chua Tiow Chye

The richer for foreign talent

An open society is a matter of survival

I refer to Mr Leong Sze Hian's letters "Will they defend Singapore?" (Oct 5) where he raised a very pertinent question: For the 30 per cent of Permanent Residents who opted to do their National Service (NS) but who hold on to their overseas passports after NS are they obliged to and will they defend Singapore in the event of a military conflict?

I, too, have completed my share of two-and-a-half years of NS and 16 years of NS liability.

The debate on uneven privileges that PRs who do no NS enjoy over citizens who served their NS obligations will never go away, no matter what politicians or policy makers want us to hear.

However, the fact is that an open society is a way to life and a matter of survival for us in this "little red dot" of ours. We venture overseas and we should expect others to come to our backyard.

Do we really need these “foreign talents”? The answer may be cloudy to some but it appears that every second person I bump into on a daily basis is not a Singapore citizen. We are an open market place and the richer (not necessarily in monetary terms) for that.

So for citizens like me, I have long accepted this need for transient or newly-settled neighbours, albeit sometimes grudgingly.

Coming back to the question, let me pose this situation, which is current and real. My brother, who has also dutifully completed his NS and NS liabilities, moved with his family overseas several years ago. Now his son is coming back to serve his NS, not because of choice but because this is his obligation of having been born here in Singapore. My nephew is already carrying an overseas passport but he is returning home and I believe the Ministry of Defence would need to issue him a Singapore passport or NRIC.

So what do we expect of this young man? Abscond from NS? Finish his NS, then throw away his overseas passport> Or do we hope that he will stay on after his stint in the SAF and continue to contribute in other ways to our society, never mind the colour of his passport?

For me, selfishly or selflessly, I would like to see him stay longer, if not permanently. However, less friendly attitudes will further drive more of such people like him away.

And would we be the richer or the poorer for it?

TODAY, Monday, 16 October 2006

Letter by Leong Sze Hian

The real cost of connection

Adjust PC payment scheme to more fully benefit the needy

I refer to the article “Singapore, one giant hotspot” (Oct 11). Under the new NEU PC Plus scheme, about 10,000 needy families with school-going children and household monthly income not more than $2,000, will pay a one-time fee of $285 to get a new PC with three years of free broadband access.

The Infocomm Development Authority’s programme to help needy families get computers at subsidised prices has helped more than 20,000 homes in the last six years.

According to the Department of Statistics’ General Household Survey 2005, there are 181,488 households with monthly income below $2,000, and 106,384 households alone – not counting those with no income. The existing scheme provides one year of free dial-up speed booster access. I believe the problem for some needy families was the need to pay telephone usage charges plus $10.45 monthly after this one year period.

Hence, for the new scheme, I would like to suggest that the subscription after the three-year free period be kept low, and that applicants be advised of the amount before they sign up.

If the experience of the existing scheme is anything to go by, for some needy families, paying for a low-cost PC may be a hurdle. We must also need to reassure them that after the free period, the subscription will not be another sizeable bill on top of other bills they may have problems paying.

If a needy family has intermittent difficulty paying their HDB mortgage, service and conservancy fee, electricity, pocket money for their children and so on, paying $285 for a PC (additional $88 for a printer) may not be high on their list of priorities. Therefore, I suggest that they be given the option to pay by instalment over 12 to 36 months.

In the existing scheme, needy families without school=going children and with at least one member who has undergone basic IT training are eligible. But the new scheme states that "students and persons with disabilities can now apply". Does this mean those without students or persons with disabilities are no longer eligible?

Finally, as a by-note: The "One Laptop Per Child" project supported by the United Nations Development Programme aims to provide laptops to school-age children worldwide for about US$100 ($160) each.

For example, Libya is scheduled to become the first nation in which all school-age children are connected to the Internet through educational computers.

TODAY, Tuesday, 24 October 2006

Reply by Ho Hwei Ling

Assistant Director, Corporate & Marketing Communication

Infocomm Development Authority of Singapore

Goal is to ensure 100% computer ownership

We thank Mr Leong Sze Hian for his letter, "The real cost of connection" (Oct 16).

Mr Leong will be pleased to know that the NEU PC Plus programme will help Singapore achieve 100 per cent computer ownership in homes with school-going children by 2015. This is one of the key goals of Singapore's 10-year Infocomm master plan, "Intelligent Nation 2015", or iN2015 in short.

Mr Leong is right in pointing out that the NEU PC Plus programme enables needy families with school-going children or with a disabled family member, to own a computer with free broadband access for three years.

We agree with him that after the three years of free broadband, we must also keep broadband subscription low and affordable to the families.

For needy families who are unable to afford the “$300” computer, while we will consider instalment schemes, if required, there are already established channels to assist them.

First, needy Singaporeans families can approach their children’s schools to tap on the Ministry of Education’s Opportunity Fund.

Secondly, they can approach community self-help groups such as Chinese Development Assistance Council and Singapore Indian Development Association.

Very soon, needy students can also look forward to doing community work, to “earn” their computers, in the spirit of “paying-it-forward” through the “iNfocomm, Spark an Inspiring and Rewarding Experience” or “iNSPIRE” fund.

For others, they will be pleased to know that voluntary welfare organisations such as Superseed, and the Disabled People’s Association, can help them get their hands on refurbished computers donated by individuals and corporations.

With support of voluntary organisations, private companies and individuals, we can all ensure no one will be left behind in this digital age as Singapore moves ahead to become a globally-connected city powered by Infocomm.

TODAY, Friday, 13 October 2006

Article by Jasmine Yin and Lee U-Wen

One helping hand too many?

Singapore’s surfeit of charities is scrambling for a limited pot of resources

The charities scene is bursting at its seams; with too many voluntary welfare organisations (VWOs) vying for scarce resources such as funds and volunteers.

Yet at the same time, these resources are often channelled into setting up duplicate social services that border on the unnecessary.

These were the sentiments that cropped up in interviews, conducted by TODAY, with 15 VWOs from four sectors: Disability; community health; the elderly; and children, youth and family. They include The Thye Hua Kwan Moral Society, Kidney Dialysis Foundation, Teen Challenge and Care Corner, and serve more than 100,000 beneficiaries in total.

Of the 15 TODAY surveyed, eight – mostly from the disability sector – said there were simply "too many" VWOs registered in Singapore. With already more than 300 VWOs and charities in the social services mix, competition continues to intensify for the already limited pool of resources, they pointed out.

The Government, too, has urged VWOs to maximise mileage from funds spent.

Minister for Community Development, Youth and Sports, Dr Vivian Balakrishnan, stressed the need for VWOs to prioritise and invest in cost-effective projects. Managing their budget well would help maintain the public's confidence in them, he said at a community event last Saturday.

"Since VWOs depend primarily on the public for volunteers and resources, the most critical task would be to maintain public confidence. If public confidence is shaken, donations will dwindle and volunteers will stay away," he cautioned.

One suggestion was for the authorities to adopt a heavier hand in the registration of charities. "More control and monitoring should be adopted to ensure that only the deserving and genuine ones are registered," said Handicaps Welfare Association president Chua Kian Sheng.

Both the Singapore Association of the Visually Handicapped and the Singapore Children's Society proposed that a national body to be set up to generate awareness of VWOs. Such a body could also regularly track the needs of beneficiaries and funding for programmes, and ensure that needs is optimally met.

Despite the prevailing sentiment of overcrowding in the charity scene, two-thirds of the 15 VWOs interviewed saw their peers as partners rather than competitors. One in five said they were "both" partners and competitors.

"We cooperate with one another in the provision of social service to the less privileged. At the same time, we compete for scarce resources and donors' support," said Mr Chua. Singapore Action Group of Elders' executive director Chiang Hai Ding added that regarding other VWOs "as friendly competitors can push us to do better in what we do and to do more".

Merging VWOs that provide similar services is one solution that has been bandied about. National Kidney Foundation chairman and former National Council of Social Service president Gerard Ee felt there is a "very strong case" for charities to join forces.

"If everyone, even in the goodness of the heart, starts their own thing, we'll end up with many small charities and a lot of duplication. If you work together as a group, there could be better synergy and distribution of efforts and resources," he said.

A duplication of social services was fine if the VWOs catering to similar profiles of beneficiaries spread out and served different areas in Singapore – but this was "not the case at the moment", he said.

Some respondents pointed to the fine line between over-duplication of services and giving the needy more choices in seeking help.

Association for Persons with Special Needs executive director Chan Kum Leong suggested that a bigger, consolidated VWO could invest in training and research to boost its social service delivery, unlike many smaller-scale VWOs that are only able to provide a limited level of social services.

"There's a scarcity of resources in almost any field … and everyone is out there scouring for a share of the scarce resources," Mr Ee said. "I think charities have to look at themselves and ask: At the end of the day, does (what it is doing) benefit the people that they are out there to help? There's only one community, and that is the Singapore community."

TODAY, Monday, 23 October 2006

Letter by Leong Sze Hian

Let's find better ways to give

Make it easier for people to bequeath part of their insurance proceeds to charity, for example

I refer to the article "One helping hand too many?" (Oct 13), which states: "The charity scene bursting at its seams, with too many voluntary welfare organisations (VWOs) vying for scarce resources such as funds and volunteers".

Such resources are unlimited. What is perhaps needed is more creativity and thinking out of the box.

Comparing Singapore to developed countries such as the United States, the level of volunteerism and philanthropy here is not very high. The same goes for the number of VWOs on a per capita basis relative to the population.

If you want to give part of your life insurance death proceeds to a charity, the financial adviser or insurance company may tell you that it cannot be done by completing a form, and that you have to incorporate it into your will.

Since I understand that about 80 per cent of Singaporeans do not have a will, it may, in effect, be a deterrent to making a bequest to charity.

Why not explore the possibility of a national campaign to encourage residents to donate one or more per cent of their new life or accident insurance, or their existing insurance policies, to a charity of their choice?

The policy-owner could also be given the option to allow a possible waiver by the executor, administrator, beneficiary or nominee, to revoke the charity bequest at the time of claim – so as to encourage donors and alleviate any concerns that if their loved ones need the original intended bequest sum, it can be easily revoked.

I understand that the life insurance industry is poised to announce a new regime for the nomination of beneficiaries. I hope that it can address the issue of simplifying and enabling the ease of philanthropic bequests through insurance policies.

In respect of volunteerism, why not try to emulate Netaid, the online volunteer network supported by the United Nations?

Volunteers are encouraged to register online, so that they can have a better feel and enough time to decide which charitable cause, type of activity or area of assistance to eventually take on.

This may have a multiplier effect on volunteerism in Singapore, which may increase the involvement of foreigners as well, if the experience of Netaid is anything to go by.

As to the comments "to ensure that only the deserving and genuine ones are registered" and "if everyone, even in the goodness of the heart, starts their own thing, we will end up with many small charities and a lot of duplication" – such perceptions may have unintentionally contributed to the problems of the charity sector after the National Kidney Foundation (NFK) saga.

Donors are increasingly becoming detached from the beneficiaries, and people are just giving to the high-profile television charity shows, flag days, corporate charity projects, and so on.

In a recent television charity show, one could see from the donations show on screen that a large portion of the total came only in the last 15 minutes or so, presumably from the corporate sector.

This may give Singaporeans a false sense of complacency that donations have increased, despite the NKF affair.

Without personal involvement and a more direct link between donors and beneficiaries, the problem of "too many VWOs vying for too few resources" may just get worse.

In a sense, volunteerism and philanthropy are like mutual catalysts. Perhaps the more we try to dictate and control one or the other – however good our intentions may be, such as trying to mitigate the effects of the NKF fallout – the more the problems may grow.

TODAY, Thursday, 26 October 2006

Reply by Danny Chua

There are better ways to raise money for charity – without waste of resources

I find Mr Leong Sze Hian's letter "Let's find better ways to give" (Oct 23) enlightening.

The rate of volunteerism in Singapore has raised from 6 per cent in 1988 to 15 per cent now, but in the United States, it is about 50 per cent due to the country's long history, VWO infrastructure and various tax incentives.

Philanthropy here is increasing with more than $500 million in donations a year. But the top 200 most profitable companies here donate an average of 0.1 per cent of net profit per year, lower than the 1 per cent given by US firms. In the US, there is a 2% Club that encourages companies to give 2 per cent of their net profit to charity.

Bequests make up 8 per cent and 15 per cent of donations in the US and Australia respectively. On a cost-to-income ratio, bequests are the most efficient way of donating, but we do not have sufficient expertise here to tap this goldmine, considered the "top tier" of the fundraising pyramid.

We end to concentrate, rather, on the middle tier of capital and major gift appeals, and the bottom tier of direct mailing, merchandising, telemarketing, special events and charity balls. People give to people they know, so asking for donations face-to-face is four times more powerful than over the phone, and 10 times more powerful than direct mail.

But it is not in our Asian culture to ask in person. If you don't ask, you don't get.

TODAY, Weekend, 11~12 November 2006

Article by Derrick A Paulo

The sacred cow's here to help

Spending on needy families has shot up; current system is still the best: Minister

After two days of listening to Oliver Twist like requests from MPs who wanted "some more" from the Government for underprivileged residents in their constituencies, Dr Vivian Balakrishnan came to Parliament prepared.

On Friday, the Minister of Community Development, Youth and Sports distributed a list of 36 government social assistance schemes in place for needy families.

He showed that spending on social assistance schemes and ComCare, the Government's community care endowment fund for needy Singaporeans, has quadrupled from 2001 to this year. Mostly that the "many helping hands" system is the most viable – even if "it's not perfect" – and that the Government is on course to "do more".

Responding to Ms Denise Phua's speech about how the current approach leads to the wrong helping hands pitching in, he argued that Singapore society is much better off with all hands on deck. And it is not because the Government wants to save money, Dr Balakrishnan stressed.

"The reason is that you want commitment, you want passion, you want dedication, you want people whose hearts and minds are truly resonating in sync with the people they're trying to help," he said.

"Denise Phua would never have worked for my ministry, I suspect. But, she can be made to volunteer for a cause she believes in passionately."

A system of government-delivered social service would make his ministry bloated with bureaucracy and staff and will not benefit those in need, he continued.

His ministry "confines itself to the big picture" and looks at the training, infrastructure and funds or other help that voluntary welfare organisations (VWOs) need, on a co-funding basis.

"We have to make improvements, but don't slay this sacred cow because the milk of human kindness is what this sector needs more than anything else," he said.

One step the Ministry for Community Development, Youth and Sports will take is to set up ComCare local networks at Community Development Councils for all stakeholders in the sector to meet, share information ad collaborate.

Of its objective, Dr Balakrishnan said: "No wrong door, no wrong hand, and nobody slip between hands."

The MCYS will also further develop its ComCare database to monitor anyone who receives help from any agency for "early warning signs" of more problems.

Dr Balakrishnan also tried to persuade the Workers' Party that the "unconditional permanent needs-based social safety net" it asked for in its manifesto is unsustainable, will erode the Singapore work ethic and does "no favour" for those in need.

As the first minister to speak in the debate of the President's Address, Dr Balakrishnan's speech sparked a lively 12-minute exchange in the House.

WP secretary-general Low Thia Khiang was the first to respond, with the message that "people need some certainty", especially in the face of structural unemployment and the rise in job uncertainty such as contract work.

He also asked if MCYS tracks the outcomes of social service, given that the work is very decentralised.

Ms Phua stressed that nurturing a kinder society "must never be done at the expense of the people we're trying to help". Some functions, such as looking after the disabled elderly in the future, are "so important" that it must be asked if these are best left to VWOs led by busy working individuals, she said.

She added, to laughter in the House: "I did not ask to slay the many-helping-hands sacred cow. I just asked for it to be sent to the vet for review."

To which Dr Balakrishnan replied that he would look at the issues carefully, "although I'm not a vet. I'm only an ophthalmologist".

He also told Mr Low that the Government would not ignore the plight of the needy just because of the fear of abuse. "If he's going to cheat me, he can cheat me only once," he said. "The assurance is: As long as you try to be self-reliant, we will help you."

More publicity may be needed, though, admitted Dr Balakrishnan after Mr Seah Kian Peng, who also responded on Friday, said: "After my speech, a few MPs came to me to say this was the first time they have heard there was a scheme called Hope (Home Ownership Plus Education)."

There was much nervous laughter in the House.

TODAY, Monday, 13 November 2006

Letter by Leong Sze Hian

Look to home first

Surplus better spent on the needy than on boosting reserves

I refer the report, "The sacred cow's here to help" (Nov 11).

The main thrust of the debate in the current Parliamentary session has been on the need to do more for the needy. I think it is not so much a question of doing more, but how much more? How much more money should we spend to help the needy?

In this connection, I would like to echo MP of Ang Mo Kio GRC Inderjit Singh's remarks that "we must be willing to creatively utilise more returns of Government funds, including our reserves, so that we can have a more predictable set of help measures".

Despite spending "four times more on social assistance in the last five years", the Budget has continued to be in surplus, almost every year.

Singapore's estimated foreign reserves of – according to The Economist magazine – about US$132 billion ($205.3 billion), was ranked eighth in the World Factbook. According to a report by the Hong Kong Monetary Authority, in terms of per capita holding of foreign reserves, Singapore has previously been ranked as the world's number one.

Harvard University's Dani Rodrik argues that there are social costs to the over-accumulation of foreign reserves.

He has estimated these costs now amount to around one percentage point of Gross Domestic Product (GDP) annually, for developing nations taken as a whole.

There may be a fine balance between welfarism, "unconditional needs-based social safety nets", and the merits of a work ethic culture.

If the data from the Department of Statistics' (DOS) Household Expenditure Survey 2003 is anything to go by, about 40 per cent of households spent more than what they earn monthly.

And in the General Household Survey 2005, the bottom 10th percentile had declining incomes from 2000 to 2005, and in inflation-adjusted terms the 31st to 40th percentile of households also had declining incomes, against the backdrop of the rising costs of living.

If too many Singaporeans are finding it hard to make ends meet, with little savings for the future or retirement, it may have a negative and eroding effect on our work ethic, which has been described as the heart, the success and the identity of Singapore.

At the end of the day, people may only be able to have or maintain the right work ethic and attitude if they are happy and can see the fruits of their labour.

Has this contributed to Singapore's drop in the world service standards ranking from 17th to 16th? ("Singapore's service slip-up", Nov 9).

Perhaps in the final analysis, we may need to review, among other things, the social costs of whether and why we need to keep increasing our foreign reserves.

TODAY, Friday, 1 December 2006

Letter by Leong Sze Hian

Is spending on credit really in check?

Looking at rollover balance per cardholder gives clearer picture

I refer to the report, “S’pore is region’s fifth-largest credit card user” (Nov 30).

Bankruptcy petitions have dropped to a six-year low, but signs indicate that insolvency rates may go up again because the number of writ of summons – normally the precursor of bankruptcy petitions – has been rising.

The average rollover balance per credit card based on figures published by the Monetary Authority of Singapore (MAS) has been generally declining, since it peaked at $770.03 at the end of 2002.

The average rollover balance fell to an eight-year low of $533.29 this August, but climbed slightly to $5548.60 in September.

The average rollover balance per credit card may not be a very appropriate indicator of credit card indebtedness in Singapore – the reason being that the number of credit cards that people have has been growing, with more people owning multiple credit cards.

The number of primary credit cards grew from 2.5 million in 2003 to 3.74 million in September this year. The number of supplementary cards grew from 988,000 to 1.1 million over the same period.

Therefore, the total number of credit cards, obviously, the average rollover balance per credit card may appear to decline.

What is perhaps more indicative of the average level of indebtedness is the rollover credit. This has increased from $2.53 billion in 2003 to $2.66 billion this September.

Although the latter figure is lower than the 2005 rollover credit of $2.7 billion – a decrease of about 1 per cent – the year-to-date figure may be lower because of the generally seasonal effect of high billings and rollovers at the end of the year and festive season.

Perhaps a more indicative measure is the average rollover balance per credit card holder, inclusive of his or her supplementary cardholders’ balances for which the main cardholders is responsible, instead of per credit card.

Using a not-so-appropriate statistical measure may lead us to complacency or draw the erroneous conclusion that things are getting better, when the converse may be the case.

TODAY, Tuesday, 23 January 2007

Article by Derrick A Paulo

Soon, plastic for the people

Banking Act changes give lower-income access to unregulated, limited credit

Some people have Gold, others have Platinum, and a few have Titanium. But the average- to lower-income Singaporean will soon have $500.

In credit access, that is.

There may not be a name for it yet, but cards granting up to $500 in credit could soon line the pockets of Singaporeans who do not qualify for existing credit cards.

The way was paved for this new kind of credit products when Parliament approved changes to the Banking Act yesterday.

The new laws exempt cards with small credit amounts from regulation, and the Monetary Authority of Singapore (MAS) has set the ceiling at $500. Also exempt are cards of any credit value issued by individual vendors. For example, Isetan and Courts issue cards to their customers for purchases in a deferred payment scheme.

"This allows flexibility in payments for small-ticket items without raising substantial concerns about Singaporeans spending beyond their means," MAS deputy chairman Lim Hng Kiang told MPs.

However, the exemptions set off some alarm bells in the House yesterday.

MP Inderjit Singh (Ang Mo Kio GRC), one of two MPs to speak on the changes, was concerned that the regulations did not cover enough ground. Ready credit loans, for example, were not part of the scope of the amended Act. Mr Singh pointed to the debt cycle that many credit-card holders get into when they use one card to pay off the debts of another card.

When he heard of the changes, financial advisor Leong Sze Hian also thought the rules should be tighter. "Someone can go to one bank and get $500 in credit, go to another bank for another $500, and 10 banks later, it's not a small amount anymore. I should go and buy bank stock tomorrow," he said.

"We'll study the feasibility of this new market segment. We need more details first. For example, is there a minimum income requirement?" DBS spokesperson Jenny Lee told TODAY.

The product could thrive on volume, which means the more Singaporeans who use these cards, the better for the banks.

"Lower amounts mean less exposure for the creditor," said Mr Leong.

In response to Mr Singh's speech in Parliament, Mr Lim said the law needed to strike a balance, so that cash-strapped Singaporeans did not run to loan sharks for money – a point which Mr Singh conceded, although he told TODAY the situation needs to be monitored so that it does not go the way of the credit card debt spiral.

Otherwise, the changes to the regulation of credit were tightened under the Act to empower MAS to prohibit entities that have not been approved to issue credit cards here from soliciting or accepting card applications in Singapore. These include foreign credit card companies not based in Singapore, for example. Third parties cannot act on their behalf, either.

Under the new laws, MAS will be empowered to inspect the operations of approved card issuers for compliance with MAS' rules pertaining to credit card operations. "The wide-ranging prohibition on solicitation supports the Government's social policy objectives of discouraging individuals from spending beyond their means," said Mr Lim.

TODAY, Friday, 2 February 2007

Article by Lee Ching Wern

450,000 more qualify for credit

Minimum annual income lowered to $20,000

Soon, Singaporeans with lower incomes may no longer have to turn to loan sharks for the cash they desperately need.

In a move which opens up a market of 450,000 new customers for banks, the Monetary Authority of Singapore (MAS) and Ministry of Law (MinLaw) said the minimal income threshold of unsecured credit facilities will be lowered from $30,000 to $20,000 by the middle of the year.

This means that those earning as little as $1,667 a month will be eligible for credit lines such as DBS Bank's Cash line and Citibank's Ready Credit.

For this group earning at least $20,000 and less than $30,000, the credit limit will be capped at twice their monthly income. But the minimum annual income requirement of $30,000 for credit card application still remains. In addition, moneylenders will be able to offer unsecured loans of $3,000 and less with no minimum income requirement imposed. But such loans would be subject to an interest rate capped at 18 per cent.

"MAS lowered the minimum annual income from $30,000 to $20,000 in recognition that individuals in this income bracket may have genuine need for unsecured credit from time to time which, at modest levels, they may be able to afford, and to minimise the risk of such individuals turning to unlicensed moneylenders," said the two government agencies in a statement.

"Consistent with this, we have not lowered the minimum annual income threshold for credit cards as these are typically used to finance consumption expenses" and there are alternative instruments such as debit cards, they added.

The recent slew of changes also seeks to level the playing field between the two types of lenders in Singapore: Financial institutions and moneylenders. Previously, only moneylenders like GE Money – governed under the Moneylenders Act – were allowed to tap the lower income market. Under the Banking Act, individuals must have an annual income of at least $30,000 to qualify for unsecured credit.

Citigroup analyst Robert Kong and economist Chua Hak Bin estimated that the move to liberalise the unsecured credit market could stimulate consumer spending and cause bank lending to consumers to grow by $2 billion.

Mr Wong Chung Yee, OCBC Bank's head of Unsecured Lending, said: "Consumers now have more choices of whom they want to bank with. This can be a welcomed development to foster a more competitive and vibrant lending landscape."

There are concerns however, that easier access to credit will lead more people down the slippery slope of debt.

"Many people go bankrupt because of easy credit. I think sometimes to solve a small problem, we may end up creating a bigger problem for more people," said financial planner Leong Sze Hian, who counsels bankrupts. He also urged banks to put in place buffers to prevent people from obtaining credit too quickly.

"There's a big difference between giving you a credit line in advance and standing in a line at a post office or pawn shop to get a loan. With a credit line, you can use it any time for instant gratification."

Banks will be subjected to mandatory credit checks with Credit Bureau before granting unsecured personal loans, said MAS and MinLaw. Yet such stringent requirements might, ironically, not help those who borrow from loan sharks.

Said Mr Leong: "They probably will still not be able to get credit under the new requirements, as many may have no steady job and will not pass Credit Bureau checks."

TODAY, Weekend, 3~4 February 2007

Letter by Leong Sze Hian

Dubious cash schemes

Instant money ploys come with hidden costs and catches

Almost every day, there are dozens of "Need Cash" advertisements in the newspaper classifieds. For example, on an average, there are about 40 advertisements of "Instant Cash through Financial Institution" and 15 advertisements of "Instant Cash – Upgrade Telephone Line, Transport provided".

The "Upgrade Telephone Line" type of advertisements typically provide for free transport to take you to a telephone shop where you upgrade to a premium hand phone service plan for two years. The new hand phone you get is sold to the advertiser at a steep discount – thus, instant cash.

Your monthly hand phone line subscription for two years is akin to an instalment repayment for the cash you have received. The effective interest rate on such transactions maybe is as high as 60 per cent per annum.

Some other advertisements say "Instant Cash through Financial Institution – Using CPF to Assist You". So, what has your CPF got to do with it? You invest your CPF, and the advertiser gives you two per cent instant cash on the amount you invest.

Once you realise how easy it is to get cash out of your CPF, you will keep selling and buying investments again and again. Result? When you retire, you may have less CPF because there is an up-front charge every time you invest.

With nearly 60 advertisements daily, the advertisers must be doing a roaring business. Does this mean that there are many Singaporeans who are so cash-strapped that they need to patronise such dubious schemes?

TODAY, Weekend, 3~4 February 2007

Letter by Philip Ang Keng Hong

Easy credit may well create a new addition

I refer to the article, "450,000 more qualify for credit" (Feb 2).

It doesn't make sense for the Government to allow 450,000 Singaporeans to have easier access to credit just to solve the problem of the few thousands who have turned to loan sharks or illegal moneylenders.

Is it not a fact that most loan sharks' clients borrow for their sole addition to gambling?

Mr Leong Sze Hian has rightly pointed out that most of those who had borrowed from loan sharks will not pass Credit Bureau checks. So, the biggest beneficiaries appear to be banks and financial institutions.

Once addicted to easy credit, it will be next to impossible to cut off access without serious repercussions to the economy which will become dependent on easy credit for growth.

Have we not learnt from the US?

From individuals to the state, the US has been addicted to credit for economic growth since more than two decades ago.

In 2005, the personal savings rate in the US fell to negative 0.4 per cent. On Feb 1, the Commerce Department reported the rate for 2006 at negative 1 per cent, a 74-year low only surpassed by the savings rate in 1933 during the Great Depression.

It is unlikely that Singaporeans will be any different from Americans or others for that matter, as easy credit has a universal appeal.

I hope the Government will closely monitor the situation in the next few years and reverse such a policy should the situation warrant.

TODAY, Weekend, 17~18 February 2007

Article by Mira Kashinath

With contribution from Manulife (Singapore) Pte Ltd

Here's looking at your future needs, kid

Once considered an unnecessary expense, insurance for children is now gaining in popularity

Sometime back, many individuals would have baulked at the thought of buying insurance for children, claiming that it was an unnecessary expense on grounds that children do not have debts or dependants.

But as insurance products – and parents – get more sophisticated and the cost of living keeps creeping gradually upwards, many have come around to consider insurance as a good way to ensure there is some money set aside for future use.

One parent instinctively invested in a regular premium life insurance plan soon after her son was born because she felt it was the right thing to do.

"I didn't want for the insurance agent to knock on my door, but bought a plan one day when I was at the bank," commented Ms Marian Ng, a marketing manager with a financial institution. Ms Ng, who is in her mid-30s, was driven by the need to have sufficient funds available for her son's future needs, particularly his education.

Insurers have come to recognise this need among parents, and many now offer plans that go beyond merely offering protection. The plan that Ms Ng invested in not only ensures that she sets aside a regular amount for her son's education in a disciplined manner, but also includes a potential upside through a link to investments funds.

Financial advisers confirm that insurance for children has gained in popularity, with many parents needing little persuasion to invest in one.

"Unless parents face affordability issues, child-related insurance is one of the popular services that we provide," said Mr Leong Sze Hian, president of the Society of Financial Service Professionals. He says many parents prefer investment-linked plans (ILPs), particularly lump-sum single premium investments, to build wealth for their children in the long term, as they are concerned about having insufficient cash to fund their child's tertiary education.

His views were echoed by Mr Peh Chee Keong, head of NTUC Income's Life Insurance Department, who noticed that among plans introduced specifically for children, ILPs were becoming increasingly popular.

"Such plans offer flexibility and allow a higher return on the savings, especially when invested for a long term, say for 10 years or more," he said.

Parents may feel the need to start planning for their child's education as early as possible due to funding needs calculated based on high inflation rates, added Mr Leong. On a projected inflation rate of 5 per cent, estimates indicate that a local undergraduate programme could cost about $46,929 and $54,326 in 18 and 21 years respectively. Faced with this scenario, starting later would only mean that parents would have to set aside a larger amount to achieve the required capital sum.

Mr Leong advises cash-strapped parents not to be swayed by such projections, and suggests using inflation rates of 3 per cent instead.

"Otherwise, they may be left with little surplus cash for other financial goals, like retirement planning. They should also go for an integrated investment planning approach, in that their entire investment portfolio could include education funding as well, instead of buying separate investment policies for each child," he advised.

While education seems to the motivating force for many parents to buy insurance plans, professionals on the other had feel that medical insurance should be a more critical consideration, as hospitalisation costs for a child can be hefty. In fact, professionals say that it should be the first policy for parents to have, as injury or illness could strike anywhere and anytime.

Parents could include children into existing Medishield or approved private integrated plans, with premiums payable through Medisave, plus purchase a separate medical plan or rider to complement the areas not covered under the MediShield plan.

"As a minimum, I would recommend the CPF Shield Ward B plan, followed by a low premium renewable term insurance covering death permanent total disability and critical illness," said Mr Leong.

Critical illness coverage, to cover medical expenses that might arise from child-related illness, such as rheumatic fever with valvular impairment, Kawasaki Disease, insulin dependent diabetes mellitus and leukaemia should also be considered.

Low on the priority list should be a whole life plan for the child.

"This is because the chances of premature death disability or one of the 30 covered critical illnesses affecting a child is rather low," said Mr Gilbert Koh, an independent financial adviser with First Principal Financial. "That is why the child's premium rises only marginally for the first 10 years. Buying a whole life plan for the child is, in essence, protecting your future grandchildren."

He feels it is still a good idea to get one, however, due to the cheaper premiums, but only if the child's medical and education needs have been addressed.

"The child is given a head start over peers, learning to save and invest earlier," said Mr Koh.

Parents with limited resources could consider level and convertible term, which is believed to be cheaper than a whole life plan. The plan can be converted to a whole life plan at later years without showing evidence of good health. Whole life plans that are payable only for a limited period, such as 10 or 20 years, after which the child can enjoy lifetime coverage without further premium payments, are another option.

However, there is one caveat for parents to bear in mind before even thinking about an insurance plan for their child.

"Parents have to ensure that they are adequately insured first, because the child's plan will only take effect when the child is either 18 or 21 years, depending on whether the child's a female or male," Ms Sara George, a financial planner, explained. "In the interim, should anything happen to the parent, there must have been adequate planning in place to ensure that the child has something to survive or ever service the premiums."

Or as Mr Koh put it across, if you had a goose that laid golden eggs, which would you insure first: The goose or the egg?

TODAY, Weekend, 19~20 May 2007

Letter by Leong Sze hian

Stop, look and go … slowly

I refer to media reports that Singapore has one of the worst road fatality statistics among developed countries in the world.

According to a recent survey by recruitment from Hudson this month, Singapore workers suffer the second highest work-related stress in Asia, with 52 per cent of employees reporting they were stressed.

Then, a British Council study on the walking speed of pedestrians was published, revealing that Singaporeans are the world's fastest walkers. The study also said a person's walking speed is a reliable measure of the pace of life in a city.

Putting two and two together, perhaps road fatalities may decline if Singaporeans learn to be less stressed and try and slow their pace of life down.

TODAY, Tuesday, 22 May 2007

Letter by Leong Sze Hian

Misleading, these special-offer adverts

I refer to the advertisements placed by a financial institution in the media. The ads state that, for a limited period on one month only in May, the upfront sales charge or all Central Provident Fund Investment Scheme (CPFIS)-included unit trusts will be reduced from the normal 5 per cent to only 3 per cent.

Since the CPF Board had already announced a few months ago that all CPFIS-included unit trusts and investment-linked products must not charge more than 3 per cent for the sale charge after June 30 this year, is it not somewhat misleading for this institution to advertise, just a month before the implementation date, a special limited one-month only offer?

In all fairness, should it not be disclosed to CPF investors that this limited period offer will be given by all financial institutions to everyone in about a month's time?

What if other financial institutions follow suit, and start advertising this “limit offer” for the next month or next week, just before June 30?

I think an important principle is the issue here – that is, each time a government agency announces a change with a dateline, is it wrong for companies to take advantage of the situation by advertising what appears to be limited offers just before the changes become effective?

One should also note that some financial institutions have already been charging CPFIS investors 3 per cent or replaced a front-end sales charge with a back-end charge for many years now.

TODAY, Weekend, 1~2 December 2007

Article by Loh Chee Kong

Move to protect council funds

Ministry puts limit on estates’ riskier investments

In the midst of an increasingly volatile financial market, the Government has moved to restrain Town Councils’ investment activities as a precautionary measure.

On Thursday, the Ministry of National Development (MND) gazetted amendments to the Town Councils Finance Rules, which came into effect on Saturday.

The most notable change is a 35-per-cent cap on the amount Town Councils can use out of their sinking funds to invest in non-Government issued securities such as corporate bonds and equities, which are seen as “higher risk” investments.

There is no cap on the proportion used to invest in Government bonds or treasury bills.

MP Inderjit Singh, the vice-chairman of the Ang Mo Kio-Yio Chu Kang Town Council, told TODAY it was “not a sudden decision” as the MND had been monitoring the situation “for quite some time”.

“I think what they discovered is that some Town Councils participate in riskier investments. The MND wanted to prevent Town Councils from being too aggressive. The idea is to protect the sinking fund as much as possible for future use,” he said.

In response to TODAY’s queries, an MND spokesperson said that changes to the set of financial rules “are made from time to time to bring them up to date and facilitate the effective administration and operation of Town Councils”.

The spokesperson added: “Town Councils are required to set aside sinking funds to enable them to carry out long-term cyclical maintenance or replacement works for the estates. As such, (they) need flexibility to invest funds that are not required for immediate use, while ensuring the funds are not exposed to unnecessary risks.”

Noting that the bulk of public sector investments is in Government-issued securities, CIMB-GK economist Song Seng Wun said: “I don’t think (the cap) would affect any of them at the moment. It’s more to ensure the Town Councils have a reference point.”

Preciously, Town Councils were given the same investment powers as statutory bodies under the Trustees Act, which spells out the type of investments they could make. But according to Dr Teo Ho Pin, co-ordinating chairman for the People’s Action Party Town Councils, statutory boards – including Town Councils – were given greater leeway to invest at the turn of the millennium.

And under Section 33A of the Interpretation Act, a statutory body may invest “in such manner as it thinks fit” and “engage in any financial activity or participate in any financial arrangement for the purpose of managing or hedging against any financial risk that arises or is likely to arise from such investment”.

Now, Town Councils have various ways of managing their investments, including setting up finance or business committees, or entrusting their money with external fund managers.

Said Dr Teo, who chairs the Holland-Bukit Panjang Town Council: “If we just put the money in fixed deposits, isn’t that more irresponsible? There were a lot of criticisms in the past when the statutory boards dared not invest their money.”

The Town Councils have recently submitted their 2006/2007 annual reports to Parliament or gazetting.

According to Holland-Bukit Panjang Town Council’s 2005/2006 annual report, it has sinking funds of $89 million.

Of this, it holds shares worth $8.4 million in book value, while investing $31 million and $3 million in bonds and unit trusts respectively.

Some smaller wards such as Potong Pasir invest solely in Government bonds.

According to its MP Chiam See Tong, the Potong Pasir Town Council – which has a kitty of $5 million – employs a full-time finance manager to manage its $1.9 million worth of investments.

Holland-Bukit Panjang Town Council was listed in Creative Technologies’ latest annual report as holding 530,000 shares valued at about $3.4 million.

Pointing out how the shares of Creative Technologies had fallen drastically in the last few years, Mr Leong Sze Hian, president of the Society of Financial Service Professionals, felt that the investment guidelines should be "beefed up" further to make sure that, even with the cap on high-risk investments, Town Councils are prevented from putting too many eggs in one basket.

Said Mr Leong: "There's nothing to stop them from putting all 35 per cent in one stock. Nowadays, Town Council funds go up to a hundred million. And 80 per cent lost in a single stock can mean a loss of about $30 million."

Pointing out that there are always risks involved in an investment, Dr Teo declined to discuss the specifics of the investment in Creative Technologies.

He reiterated that Town Council adopted a "wide" investment portfolio.

Dr Teo said: "Our investment committee has made good returns on our investments so far, averaging about 8 to 10 per cent per annum, which is better than the bank interest rate."

TODAY, Thursday, 31 July 2008

Letter by Tan Teng Siah

More profit vs better quality

Help childcare centres maintain quality service

I refer to "Childcare standards policies are reviewed often" (July 30). The Ministry of Community Development, Youth and Sports (MCYS) has in recent years, imposed an increasing number of standards and regulations on child care centres to ensure the quality of service.

I have no doubt that these are in the interests of the public and I feel assured that my children are getting quality care.

However, due to inflation, the costs of running a centre have been going up. Staffing costs, which make up the bulk of the operating costs, are also on the rise. To attract and retain quality staff, centres have to pay much more than what they used to. Also, because of the property boom in the last few years, rentals have also spiked.

On the other hand, the revenue of centres is capped by the limited capacity imposed by MCYS; Centres also have other hidden costs such as insurance, licence fees and pest control.

In the current environment, it is almost impossible to ensure quality and at the same time, try to be profitable. Thus, centres have no choice but to charge higher fees which many families may not be able to pay. In turn, a centre's profit margin may suffer as demand dips.

To help ease this dilemma, I suggest that the Government steps in to give more subsidies to parents and also grant some form of operating subsidies to centre operators. Up-grade courses can also be make available free-of-charge to childcare teachers.

TODAY, Monday, 4 August 2008

Letter by Leong Sze Hian

Will subsidies help in the face of fee hikes?

Also, income ceilings mean low-income mothers may refrain from taking up jobs

I refer to "More profit versus better quality" (July 31) and media reports of the debate in Parliament on whether birth-rates will increase now that childcare fees subsidies for low-income families have been increased.

The average full-day fees for childcare services increased from$588 in 2004 to $675 in June.

Since the increase in the Centre-based Financial Assistance Scheme for Childcare has gone up by $20 to a monthly subsidy of up to $340, was the increase in fees more than the increase in the subsidy?

Just a few months ago in April, PAP Community Foundation kindergartens raised fees by up to 100 per cent. Has the kindergarten's increase in funding of $50 for needy families, announced last month, been able to offset the fee-increase earlier this year?

Although "the scheme was extended beyond the $1,500 monthly income threshold to include families with incomes up to $1,800", the net subsidised fee of, say, $332 (taking the average $672 fee minus $340 in subsidies) may still be a heavy financial burden for families earning less than $1,801.

For families earning more than $1,800, who do not qualify for the subsidy, it may proportionately be an even greater financial burden paying $672.

It was said in Parliament that when low-income mothers stay home rather than work, their reasons for doing so go beyond the fees charged by childcare centres. I think from the perspective of lower-income mothers, having to pay $672 may be a significant deterrent, given the fact that there are a few hundred thousand workers who earn less than $1,500.

Another problem is that those who choose to work may cross the $1,800 threshold and thus lose their $340 subsidy.

For example, any household earning less than $1,460 may see no incentive in having the other spouse work, because her net gain from getting a job paying, say, $800, will only be $460 ($800 minus the loss of the $340 subsidy).

Unless we fix this "no-win situation" for the lower-income, the on-going debate on how to encourage procreation may be a futile exercise.

TODAY, Monday, 4 August 2008

Related letter by Tan Chor Hoon

Profit-driven childcare is not helping parents

I refer to "More profits versus better quality" (July 31).

Both my children went through full-day childcare from the age of 18 months until they were admitted to Primary 1.

In the course of four years, I changed childcare centres a couple of times but eventually went back to the one nearest to where my parents live.

This way to facilitate instances when my husband and I had to work late – one of my parents could be easily "mobilised" to pick the children up.

From my personal experience, I would say there is immense room for improvement. The crux of the matter is that the standard of these centres has not improved sufficiently because all of them are, to a large extent, privately-run, so parents do not have many alternatives to choose from.

Which childcare operator is not concerned about its bottom line? No matter how many guidelines the Ministry of Community Development, Youth and Sports (MCYS) stipulate, how much policing can be done?

Does the MCYS know how much chicken or fish or egg the children are given in their meals each day? Most of the time, it is a portion that just about meets the guidelines. Parents may complain but most have no choice but to accept the standard of care.

I strongly urge the Government to take over the childcare business completely and to dedicate a generous budget and commitment to the programme.

This will give parents complete peace of mind that their children are in good hands while at work.

A measure like this will surely boost the birth-rate.

TODAY, Friday, 19 December 2008

Article by Christie Loh

New rules to protect consumers

US Fed to okay sweeping changes; will Singapore relook its regulations?

Consumers in the United States will swipe victory when banking regulators there okay new credit card rules, in an industry overhaul seen as the most far-reaching in some 30 years.

The changes, slated to be issued early this morning, aim to protect the average Joe from arbitrary hikes in interest rates or insufficient time for the repayment of bills.

For the onlooking Singaporean, the question is whether those consumer-friendly measures will spark a review here. Industry insiders cannot say for sure.

"Each market has its local practices," said a senior executive in the credit card industry. She felt it would depend on whether Singapore's financial regulator takes a hard look at the US measures and decides to follow suit.

If it doesn't, then the ball would be in the court of the American banks operating here, she said.

US banks that issue credit cards in Singapore are Citibank and American Express. They and some 16,000 other card-issuers in America are staring at changes projected by analysts to cost the US banking industry over US$10 billion ($14.3 billion) a year in interest payments.

According to media reports, the new regulations – likely to take effect in 2010 – will include prohibiting card issuers from raising interest rates on existing account balances except under certain circumstances, such as when promotional rates expire.

Also to come is a ban on banks charging late fees unless the customer has been given a "reasonable" period of time to pay.

"Reasonable" could mean 21 days, reported US Today, as consumes have often complained they have just a few days to meet the deadline after the bill arrives in the mail.

Most of the rules were first proposed in May, in the wake of criticism from Congress that the central bank was neglecting its authority to prevent abusive lending and strengthen consumer protection.

The proposals drew more than 65,000 public comments – the most ever received by the Federal Reserve.

Many of them "were spontaneous from consumers who feel they've been treated unfairly by their credit card companies and are literally begging the Fed for help," Mr Travis Plunkett, legislative director of the Consumer Federation of America, to AP.

California resident Craig Marx, for instance, is frustrated with his credit card issuer. The 52-year-old recently saw his minimum monthly payments climb to 5 per cent from 2 per cent, and a monthly US$10 service charge added to his bill. The bank also raised his rate from 3.99 per cent above prime to 7.99 per cent for the next two years, after which time it would become variable. "I'm incensed," he told Bloomberg, "I feel like they're making a calculated decision to make me go away as a customer."

Media reports says a decline in consumer spending and a rising number of defaults have led lenders like Citigroup and JPMorgan to increase fees and interest rates for some customers and cut the amount others can borrow, so as to reduce risk and raise revenue.

The new rules, consumer advocates say, would bring relief to borrowers, who appear to have been having difficulties paying on time: 60-day delinquencies have jumped by nearly 24 per cent since August to 4.8 per cent, reported The Washington Post, citing the Fitch Retail Credit Card Index released this month.

Delinquencies in Singapore have been climbing, too. A monthly average of 1.4 per cent of consumers here missed at least one payment on one or more of their credit card accounts in the third quarter, Credit Bureau Singapore said last month.

In addition, credit card loans in September and October surged by 19 per cent from a year ago in both months.

Finance Minister Tharman Shanmugaratnam said last month in Parliament: "An 18- to 19-per-cent growth in credit cards, even if in line with past economic growth, is something which should be watched carefully."

TODAY, Wednesday, 7 January 2009

Letter by Leong Sze Hian

Watch your balance

A little-known pitfall on how interest is charged on balance-transfer credit cards

I refer to the report "New credit card rules aimed at protecting consumers" (Dec 19).

The biggest potential pitfall of balance transfer credit cards is invariably absent in consumer credit education programmes and information sheets.

The way interest is charged on balance transfer credit cards is generally different form normal credit cards.

Interest is charged from the date of purchase, instead of from the overdue date when the monthly statement is received.

If one default on credit cards or other loans, his or her Consumer Credit Bureau record will become negative, and may typically mean that no further credit card or loans may ever be granted in future.

What this may mean is that one may be left only with balance transfer credit cards, and thus have to pay interest from the date of purchase when the credit card is used.

Consumers should also be aware that all credit cards charge interest on the full outstanding balance, as long as full repayment is not made.

To illustrate this, if the outstanding balance is $10,000, and the card holder pays $9,00 early in the month thinking that interest could be saved, the interest charged will still be on the entire $10,000.

In the United States, the Federal Reserve is due to change the rules on how credit card companies can charge customers for late fees, universal defaults, shorter payment periods, confusing payment allocations for different balances, et cetera.

Will such reforms be considered for Singapore, too?

TODAY, Thursday, 26 February 2009

Article by Neo Chai Chin

Soon, more can borrow

The timing seems appropriate. From Sunday, new rules on lending will kick in that the authorities believe will tread the line between discouraging overspending and facilitating responsible borrowing.

While commentators welcome the Moneylenders Act, which they fell would protect consumers from chalking up massive debts; concerns were raised about two groups at opposite ends of the income spectrum: Those earning less than $20,000 annually, and those making over $120,000 a year.

The latter group of high-net-worth individuals are excluded from unsecured lending provisions, which stipulate borrowing caps.

The assumption is that they can handle their finances better, or at least are able to take on more debt, said Citigroup economist Kit Wei Zheng.

But there are exceptions, especially in these times – he noted, some could have borrowed more "on the assumption that his or her income stream will remain stable over time", only to encounter strains with wage cuts or, indeed, retrenchment.

As for consumers with annual income below $20,000, they will now have the option of borrowing up to $3,000 in unsecured personal loans, with interest per annum capped at 18 per cent – there was no such provision for them previously.

"It's a double-edged sword," said financial planner Leong Sze Hian. More low-income people could end up in debt as a result, but more access to credit would provide urgent relief for those who lose their jobs, he said.

While the low-income will now have a "safer route to take when borrowing money", there remains the "potential of increasing debt levels", said Credit Counselling Singapore's assistant director Tan Huey Min. "Whether it'll discourage people from turning to loansharks, it is hard to say."

Last month, the Singapore Police Fore had noted the potential for a rise in loanshark activity as more seek to borrow illegally.

Overall, the changes to the moneylender rules will allow more individuals with genuine need greater access to unsecured credit. The minimum income requirement will be lowered to $20,000, though the threshold for credit cards remains at $30,000.

For unsecured loans, the credit limit is set at two times a borrower's monthly income, if he earns between $20,000 and $30,000; and at four times his monthly income, if he earns

$30,000 to $120,000. These provisions exclude study, renovation and medical treatment loans, for instance.

On the whole, Member of Parliament Ellen Lee said the new Act was timely. "It is in times like this that people have to be more cautious," said Ms Lee, who had previously raised concerns about the relaxation of rules on licensed moneylending giving small-time borrowers a "false sense of security".

As for credit card holders, what of those whose incomes dip in these rough times?

Responding to feedback from the Association of Banks Singapore, the Monetary Authority of Singapore and Law Ministry said they could keep their cards, but banks should check cardholders' incomes periodically and not grant additional credit until the outstanding unsecured loan is paid off.

Latest statistics from Credit Bureau Singapore show the numbers of those missing credit card and personal loan payments were inching up, with those aged 30 to 34 making up the biggest proportion of delinquents.

TODAY, Weekend, 9~10 May 2009

Letter by Leong Sze Hian

Should the Committee of Inquiry be reconvened?

Now that Mas Selamat Kastari has been captured, Singaporeans must be waiting in anticipation for his interrogation to be completed, to find out how he escaped.

I would like to suggest that the Committee of Inquiry be reconvened so that we can take appropriate measures to ensure that this does not happen again.

In the interest of fairness, the reprimand of the officers concerned may also be reviewed to see if any of them may be less to blame, in the light of new information. After all, they were judged based on the Committee of Inquiry's understanding of the most likely escape scenario at the time.

TODAY, Friday, 14 August 2009

Letter by Leong Sze Hian

Effective interest is higher

A local bank has been offering unsecured loans to those earning between $20,000 and less than $30,000 per annum.

The ad says that the interest per annum is 10 per cent.

However, the fine print says that the effective interest rate is 17.97, 18.16, 19.57, 19.19 and 18.80 per cent per annum, for loan periods of one to five years, respectively.

After factoring the 3 per cent processing charge and 1 per cent insurance fee, the effective rate for a one-year loan is actually 25.91 per cent.

This is even higher than the 24 per cent charged on credit cards.

Before the regulations were changed to allow banks to offer unsecured credit to those earning between $20,000 and $30,000 this year, the loans that these borrowers could access were from moneylenders and pawnbrokers, which had a cap of 18 per cent per annum on the interest that can be charged.

With interest rates at historical lows now, why are banks allowed to charge such high interest on unsecured credit, without any interest cap?

HDB

Today, Weekend, 11 ~ 12 May 2002

Article by Lee Yew Meng

Bubble that swallowed us

If solutions can ever be perfect, this was one.

It allowed the Singaporean to afford his dream flat. It sent the price of his property spiralling. It made him rich.

And all the while the money remained within the economic system, which pleased the Government, too.

But if you want to see how once-perfect solutions can come back to haunt you, you can see it now. The same policy that made Singaporeans rich is now boxing them in, forcing some to sell their once-gleaming properties at a loss and has become the cause of one of the Government's biggest worries.

We, of course, to a policy introduced nine years back and if you want to trace one big source of the property bubble that has now burst, it is this policy.

If you want to understand why Singaporeans expect a property windfall, it is also this policy.

If the Government is now worried that so much of our CPF is tied up in housing, leaving so little for retirement, just go back to … you've guessed it.

The policy, of course, was the one introduced in April 1993. It maximised the lending limit by HDB and the CPF Board. HDB agreed to lend resale flat buyers up to 80 per cent of the flat's valuation or market price, whichever was lower. Valuations of HDB resale flats were also brought closer to resale prices. Before this, HDB would only lend resale buyers up to 80 per cent of the flat's 1984 posted price, which was much lower than market values in 1993.

In one move, all the pent-up demand for bigger flats burst forth. This "perfect fix" has brought us to a situation where almost any further solutions will bring their own problems. We are in a bind and to get out of it, we will either see property prices dipping even further or find it more and more difficult to keep up with mortgage payments.

See how the 1993 policy played out. Within weeks of the policy change, the price of a $200,000 HDB executive flat in a non-mature estate rose by more by 50 per cent. And by

1994, it was worth $450,000. The most expensive HDB unit – an executive maisonette – was sold for $770,000 in 1996.

In 1989, an executive maisonette in Bishan used to cost $145,000.

Suddenly, everyone was chasing property windfalls. Nor was the Government complaining. After all, as one analyst pointed out, the rising amount of CPF money was being recycled back into the economic system.

Mr Tay Kah Poh, Knight Frank's director of research and consultancy said that the boom was caused not just by HDB's liberalisation policy but also by increased liquidity and sustained economic growth.

"The boom was an intended result, but perhaps a necessary evil." But after anti-speculation measures were introduced in 1996 and one economic crisis followed another, property prices have come down almost 40 per cent off the levels of 1996.

Bubbles grow on the assumption that good times will last forever. They burst, of course, but the fallout from this one may be difficult to clear.

In the short-run, there seems no way out for those who bought property in 1996. If they sell their properties, they would not able to cover the loans they have to pay.

The head of a PR agency told this newspaper that he recently opted to take a $800,000 loss from the sale of his semi-detached house in the East Coast. Asked why he did not wait for property prices to recover to break-even on his 1996 investment, he said: "There isn't a ghost of a chance."

Others in his position are soldiering on, paying hefty bank instalments. Long-term solutions come with attendant problems. The Government's hands seem tied as it seeks to ensure that Singaporeans have enough money left for retirement.

Tweaking the CPF scheme to reduce the housing component will only mean that the instalments have to be supplemented with more cash.

Today, Wednesday, 17 July 2002

Cheaper flat loans

Private Banks may take over market rate HDB loans

Flat buyers taking market rate loans from the HDB may soon get lower rates – from banks.

The Government is planning to let banks take over such market rate loans from the HDB, said National Development Minister Mah Bow Tan.

Market rate loans are for those who have enjoyed a subsidised HDB loan, or those who don't qualify for HDB subsidies.

Against the backdrop of current competitive interest rates, Mr Mah said the Government is willing to consider the private sector take over the duties that are beyond HDB's role of providing affordable housing. There are details to be sorted out, but Mr Mah said a decision would be announced soon.

"Anyone who has checked the home loan market knows that stiff competition between the banks here has pushed initial rates down to as low as 2.5 per cent," he said.

"That's far more competitive than HDB's 3.75 per cent. And if banks are allowed to take over the HDB market rate loans, home-buyers stand to benefit," the Minister added.

Channel News Asia reported that banks, while welcoming the move, said they are waiting for details.

Mr Mah supported the Economic Review Committee's recommendation to cap the CPF withdrawal for housing at 150 per cent of the property value and to cut this to 120 per cent in five years.

Today, Weekend, 20~21 July 2002

Letter by Leong Sze Hian

Will banks follow HDB schemes?

I refer to the Government's plan to let banks handle Housing Development Board (HDB) loans.

I understand that HDB has various schemes such as interest-only repayment, reduced or delayed repayment, the use of special accounts and extentions etc, to help alleviate the financial hardships of home-owners.

These are not typically available to bank borrowers who have a higher risk exposure to negative equity, foreclosure and insolvency.

Will the banks ensure similar safeguards when they give out loans to HDB flat owners?

Today, Monday, 29 July 2002

Letter by Leong Sze Hian

HDB's 30-month ruling too long to wait

I refer to HDB's ruling that allows private property owners to buy a new HDB flat 30 months after selling their property.

If we are concerned about Singaporeans becoming too asset-rich and cash-poor in retirement, we should try to make it easier for them to downgrade to a HDB flat.

A resale flat would cost much more than a new flat and thus makes the "downgrading" exercise a more difficult one.

In the past, during the property boom, a time-bar of 30 months might have been appropriate.

However, in light of the current downtown in the property and job markets, and the prevalence of negative equity, perhaps, the HDB could review this policy.

Today, Monday, 5 August 2002

Reply by Tay Koon Quie

Head, Sales Section

For Chief Estate Administration and Property Officer

Housing & Development Board

HDB ruling

Will reconsider on case-by-case basis, it says

I refer to the letters, "HDB's 30-month ruling too long a wait" by Mr Leong Sze Hian (TODAY, July 29) and "Use for 'surplus' flats" by Ms Chin Yen Yen (TODAY July 31).

The writers referred to one of the eligibility conditions for the purchase of new HDB flats, which is that applicants and their listed family members must not own any private residential property for 30 months prior to their applications.

This 30-month debarment period for private property owners was implemented to ensure that public housing subsidies are allocated to those who cannot afford private property.

Existing or former private property owners can, however, buy resale HDB flats in the open market without the 30-month debarment period.

Mr Leong suggested this policy be reviewed so that private property owners can "downgrade" to buy new HDB flats.

We appreciate that during the current recession, some private property owners may wish to sell their properties and move into HDB flats.

Generally, private property owners can find a suitable resale flat to purchase, given the wide range of flats of different types, locations and prices available in the open market.

They can also use part of their proceeds from the sale of the private properties to finance their resale flats or take up mortgage loans.

Ms Chin suggested that older private property owners be allowed to purchase the unsold HDB flats without the 30-month debarment period.

We would like to explain that the current situation of having some unsold HDB flats is a temporary one, due mainly to the poor market conditions following the recent Asian economic crisis and our economic downturn.

HDB has implemented measures to scale back the housing supply and promote the sale of the new flats to eligible families.

As the take-up rate of new HDB flats has been encouraging from the various allocation exercises, it would not be appropriate to liberalise this eligibility condition just to allow private property owners to buy up some of the unsold new HDB flats and thereafter to restrict their eligibility when demand from eligible families picks up.

However, for deserving former private property owners in genuine financial hardship and who are unable to afford resale flats, HDB does consider waiving the 30-month debarment period on a case-by-case basis so that they can buy from HDB.

We would like to thank the writers for their feedback and suggestions.

HDB will continue to review its housing policies regularly and monitor feedback from the public to ensure that the housing needs of the majority of Singaporeans are met.

Today, Thursday, 9 January 2003

Article by Lee Yew Meng

Home loan war hots up

StanChart, Hong Leong in the lead

The HDB loan war intensified yesterday with Hong Leong Singapore Finance and Standard Chartered Bank now leading the pack.

Standard Chartered brought the first year's interest rate to a new low with its new "weapon" – the cash rebate. Under its revised mortgage rates, the bank is throwing in an upfront one per cent cash rebate for loans of more than $100,000.

The cash rebate is the first by any lender in the HDB loan market although this has been used successfully by Citibank in the private housing loan segment.

Under its revised rates, Standard Chartered toppled Maybank from its pole position yesterday, according to dollarDEX, the wealth management firm.

But its "reign" was short-lived as Hong Leong Singapore Finance came up with its revised package with the first year's fixed rate ranging from 1.6 per cent to 1.9 per cent, depending on the loan quantum.

A market watcher said it appears that the finance company is rewarding those who do not borrow to the hilt. The best rate of 1.6 per cent is offered to those who borrow 50 per cent of the valuation.

Its second year's fixed rate also varies – from 2.2 per cent to 2.5 per cent, the lowest rate again rewarding those who borrow at 50 per cent of the flat's valuation.

Apparently the company is taking a cautious and practical approach as it expects flat valuations to drop, said a market watcher.

As for StanChart's package, its second year rate is a fixed 2.6 per cent followed by a base floating rate of 2.65 per cent for the third and subsequent years.

A bank spokesperson said that, after three years, a borrower with a $200,000 loan for 30-year tenure will pay $26,751.31 or $294.39 lower than the existing POSB HDB loan package.

So, the much-touted $500 million worth of HDB loan applications garnered by POSB and OCBC – another top rival in the market in the past few days – remain exactly that: Applications.

Everyone is waiting for the "14-day test" – all letters of offer given out have 14-day validity, say dollarDEX.

Today, Thursday, 8 January 2003

Maybank, UOB home loan salvo

The raging HDB home loan war is heating up as Maybank and United Overseas Bank (UOB) fired their latest salvos yesterday

While UOB has the lowest first year's fixed rate at 1.55 per cent, Maybank has piped the rest with the best package so far, according to dollarDEX, the wealth management firm.

Maybank's first year's fixed rate at 1.68 per cent was the second lowest after UOB's but its second year's fixed rate at 2.38 per cent is the industry's lowest – at least for the moment.

It has thus toppled POSB from the perch.

Maybank said all its branches will be opened from 9am till 8pm from today, including Saturdays and Sundays, for the HDB loan applications.

UOB is offering a free holiday trip for two to Bangkok for the first 300 customers who accept its letter of offer. It is also offering free fire insurance for the first two years.

Market watchers are expecting more interest rate cuts by banks and finance companies before the dust settles by the Chinese New Year.

Today, Tuesday, 6 January 2003

POSBank housing loan offer

Yesterday, 18 POSBank branches opened on Sunday to offer a one-day housing loan promotion.

The bank's HDB special offered a reduced first year fixed rate of 1.75 per cent per annum to those who signed up for a loan of over $100,000.

This makes POSBank the second bank after OCBC to launch loans that are priced below HDB's concessionary rates.

The interest rate for the second year reverts to 1.99 per cent and then 2.55 per cent for the third.

Aspiring homeowners welcomed the inter-bank mortgage war, Channel News Asia reported.

"It offers savings of $300 per month," one homeowner said.

"Times are hard. Anything you can save is good."

POSBank's latest package also offered free fire insurance for the first two years and a legal subsidy of up to $2,500.

The first 1,000 customers who took up the loans also got a complimentary electric desk fan.

Today, Friday, 3 January 2003

Article by Grace Tay

Home loans frenzy

Analysts advise as banks undercut

Consumers excited by the frenzied undercutting in the recent HDB home loan market should hold their horses.

Though banks are revealing new rates

Almost every day, analysts say the dust has yet to settle and by holding out for a month or so, buyers may be able to get a better deal.

From Jan 1, HDB flat buyers who do not qualify for concessionary loans from the Housing Board have had to turn to banks for market-rate loans.

ABN AMRO, which had been holding out on revealing its HDB loan rates, finally released its loan package yesterday with an aggressive 1.95 per cent first-year rate.

According to dollarDEX, OCBC offers the most attractive package overall, as its low 2.6 per cent rate from the third year is pegged to HDB's existing rate for concessionary home loans.

But before it could savour beating POSB's 1.99 per cent shocker last week, HSBC and Hong Leong Singapore Finance (HLSF) announced even lower rates. HSBC became the new "leader" in low rates by offering 1.65 per cent for loans above $300,000. For minimum loans of $100,000, the interest rate is two per cent. It had announced a 2.6 per cent first-year rate last December.

HLSF, which had its previous two per cent rate trumped by POSB last Thursday, lowered its rate to a 1.9 per cent fixed rate for the first year. Its second year fixed rate remains unchanged at 2.5 per cent.

Yesterday's slew of rate revisions has other banks scrambling to play catch up. Standard Chartered, which now offers a 2.5 per cent first-year rate, sait it is rewriting its rates and would be announcing its new package soon. POSB and UOB also admitted that they are reviewing their rates.

According to wealth management firm dollarDEX, rates will continue to fall, depending on banks' stomach for lower profits. But it is unlikely to drop below private property rates, which hover around 1.5 per cent.

The dollarDEX spokesman added that it could take anything “from a week to months” for the rates to stabilise. At stake is a market worth some $63 billion in new ones annually.

But until rates settle, what should home buyers do?

“They should think of capturing savings in the interim rather than keep paying high interest until the war ends,” said the spokesman.

“But be careful about what load packages you sign up for, since some have high penalty charges if you jump ship later.” But what happens to customers who signed up earlier for loan packages, when the initial rate announcements were made?

HLSF said its customers who had signed earlier would be given the new rates. Standard Chartered will also allow its applicants a one-time free conversion to new lower rates within the first year, should the loan war continue and interest rates fall.

“The customer can exercise this benefit at any time within the first year of his loan,” said a Stanchart spokesperson. “He has the flexibility to choose when he wants to exercise it. For example, he can ask for the conversion the moment interest rates fall, or if he feels that interest rates will fall lower, he can hold on and exercise his conversion later.

“The prudent customer could hold out until he is sure that rates will not fall any further before exercising his conversion.”

Today, Wednesday, 15 January 2003

Letter by Leong Sze Hian

Don’t forget us

Banks should cut private housing rates, too

I refer to your reports, “Home loan war hots up” (TODAY, Jan 9), “Maybank, UOB home loan salvos” (TODAY, Jan 8), “POSBank housing loan offer” (TODAY, Jan 6) and “Home loans frenzy” (TODAY, Jan 3).

Competition among banks has driven interest rates to 2.6 per cent for a 30-year housing loan.

With the change that came into effect on Jan 1 banks are allowed to offer loans for the purchase of non-subsidised HDB flats. I understand that there is no longer a difference in the terms and conditions relating to lending for HDB and private properties.

Hence, I would like to question the rationale for the difference in loan rates for private properties that are currently hovering around four per cent.

In the future, will private property borrowers continue to be forgotten, or will the rate differential between the two disappear?

I believe that unless the differential is removed, the private property market will take much longer to recover.

With the downturn in the property market over the last six years, it is possible to buy private property at a lower price than that for an executive HDB flat. I also understand that there are thousands of unsold HDB flats just as there are thousands of unsold private properties.

For a $400,000 loan over 30 years, the interest difference between 2.6 and four per cent is $110,880 ($308 x 360 months).

Loans on durable goods such as cars do not have different rates for different types of vehicle.

It appears that discrimination or unfairness have crept in, as there seems to be no justifiable difference between a loan to purchase an HDB flat and one to buy private property.

Today, Tuesday, 14 January 2003

Article by Derrick A Paulo

That single question

Changes to studio scheme, but old grouse remains

Potential studio apartment owners may have something to celebrate, but once again, singles won't be invited to the block party.

Changes to the Studio Apartment (SA) scheme were announced yesterday, the most important being the integration of SAs with regular HDB flats.

"Both the elderly and the younger respondents preferred the studio apartments to be built in a mixed development – in other words, integrated with other flats types – as opposed to what we are doing currently – to build a standalone," said Mr Mah Bow Tan, Minister for National Development.

But the one thing that had not changed is that SAs will not be for younger singles – those aged 54 and lower.

This despite an apparent demand for the units by younger singles, according to a survey by the Housing Development Board (HDB).

More than 27 per cent chose studio apartments as their top housing choice even if they had to pay a higher price – as long as the lease is 99 years, like other HDB flats.

But the Government will not extend the sale of SAs to younger singles. Nor is it lengthening the 30-year lease, which makes SAs less attractive to singles. In the survey, only 12 per cent chose 30-year lease SAs as their first housing choice.

The HDB will pilot the integrated development in an upcoming Selective En Bloc Redevelopment Scheme (SERS) at Tanglin Halt Road.

The SERS site will also witness the reappearance of new three-room flats along with four- and five-room flats.

“The majority of the residents in this area are living in two- and three-room flats,” said Mr Mah. “We need to build replacement three-room flats for them. Otherwise, the jump to four- and five-room flats may be too much for them.”

The residents come from 497 units at Tanglin Halt and Commonwealth Drive, but the HDB will offer more flat units – 700 in all. And the exact numbers of different flat types have yet to be decided.

But only singles who are SERS lessees will be able to purchase the new replacement flats, as other singles can only buy three-room flats in the open market.

Discontent among the singles regarding housing policies in Singapore is not new. The calls by singles to recognise their contributions to society have grown over the years, but without great success.

“That government’s report card when it comes to singles is probably close to nil,” said Mr Kelvin Leong, a 39-year-old single man.

Nevertheless, Dr Ooi Giok Ling, a senior research fellow at the Institute of Policy Studies, believes that singles should continue to speak up for greater choice.

“The HDB has been very consistent in its public housing policies but if there are these 27 per cent who want studio apartments, they should continue to as the HDB to justify why it is not being given to them,” she said.

Today, Monday, 27 January 2003

Letter by Leong Sze Hian

Wanted: Studio flats

I refer to the report, “That single question” (TODAY, Jan 14).

The Housing and Development Board (HDB) will not be extending the studio apartment scheme to singles below 55 years of age because its survey shows that almost two-thirds of singles aged 35 to 54 prefer other housing options.

About a third prefers HDB studio apartments and this is a significant number.

I would like to know how many singles there are in Singapore, so that we have a better idea of the absolute numbers.

Some of the reasons why people prefer other housing options could be that the lease of studio apartments is only 30 years, with an option to extend for another 10 years.

Also, if the owner is unable or becomes ineligible to stay in the apartment, it must be returned to the HDB, which will pay, at its discretion, a pro-rated sum of the original selling price based on the remaining period of the lease.

As this discretionary amount is unknown, there may be a sense of uncertainty among potential buyers.

In addition, the studio apartment cannot be sublet or sold in the open market and the HDB will not grant loans. The purchase price has to be paid in full.

Despite all this, singles may still want a studio apartment as it is probably the cheapest housing option available.

Perhaps the HDB could seek further feedback from singles (290 individuals were asked in the survey).

The HDB's role is to fulfil the housing needs of all Singaporeans, as long as there is a demand for it. It should be more flexible in its schemes, especially when thousands of HDB flats remain unsold.

Today, Thursday, 6 February 2003

Reply by Leong Chok Keh

Head, Policy and Property Section

For Chief Estate Administration and Property Officer

HDB studio apartments are for the elderly, not young singles

I refer to the letter, "Wanted: Studio flats", by Mr Leong Sze Hian (TODAY, Jan 27).

The objective of the Studio Apartment (SA) Scheme is to provide a housing option for the elderly who wish to maintain their independence while living close to their family and friends.

SAs are sold with 30-year leases to keep them affordable for the elderly and are specially equipped with elderly friendly and other safety features.

The Government and the HDB have decided not to extend the scheme to younger singles, namely those aged 35 and above, as they have alternative housing options.

In addition to staying with their parents, singles can buy three-room or smaller resale HDB flats under the Single Singapore Citizen Scheme or bigger flats if they apply with another single to qualify under the Joint Singles Scheme. They can also rent a three-room or smaller HDB flat from the open market or rent rooms from HSB flat owners.

A HDB survey younger singles consider SAs as just another housing option. The majority (61 per cent) indicated housing options such as resale HDB flats and private housing as their first housing choice. Twenty-seven per cent would opt for SAs only if they were sold with a 99-year lease and with conditions similar to those of HDB flats.

The SA Scheme is relevant as a housing choice for the elderly and has met its original objectives. It has been well received, with more than 99 per cent of the units taken up. Nearly all the existing SA owners surveyed by the HDB have expressed satisfaction with their living environment.

In view of Singapore's ageing population, the HDB will continue to focus on meeting the housing needs of the elderly by building new SAs and offering them to the elderly.

Today, Tuesday, 5 October 2003

Reply by Tay Boon Sun

Senior Public Relations Officer

For Director Corporate Development, HDB

EIP key to keep ethnic mix balance in HDB estates

We refer to the recent forum letters regarding HDB's Ethnic Integration Policy (EIP).

The EIP is intended to achieve a balanced ethnic mix in public housing estates and prevent the formation of ethnic enclaves.

As the EIP is very important in maintaining racial harmony in HDB estates, we have to apply it consistently.

We have studied letter writer Brian Ooi's proposal to set up a database of potential seller-buyer pairs of mixed race, so that they can be matched with complementary pairs of seller-buyer within the same neighbourhood or block.

Mr Ooi said that this would allow both transactions to be simultaneously approved, since there would be no net change to the racial balance.

However, this is not in line with the intention of the EIP. Under the EIP, once an ethnic limit has been reached, any sale of flat to the affected ethnic group by a seller of a different race would be disallowed, regardless of the other resale transactions taking place.

This allows the existing imbalance in HDB blocks or neighbourhoods to be gradually reduced over time.

On suggestions to do away with block limits and implement controls only at the estate level, we are concerned that over time, this could lead to the formation of ethnic enclaves in certain blocks and work against the objective of racial integration.

There are many factors influencing the marketability and selling price of a flat, including buyers' preferences, market conditions and attributes of the flat. Given the large number of HDB flats transacted in the resale market, there is sufficient scope for the different ethnic groups to buy and sell HDB flats.

Today, Monday, 17 November 2003

Letter by Leong Sze Hian

Ethnic integration rule hits some HDB sellers

Under the Ethnic Integration Policy of the Housing Development Board (HDB), an individual can buy an HDB resale flat in any new estate as long as the approved proportion of his ethnic group has not been exceeded.

As a result of this policy, some flat sellers belonging to the minority ethnic groups may experience difficulty selling their flats if the majority ethnic group's quota has been reached. They may find it takes longer to find a buyer and that the property fetches a lower price.

I would like to suggest that this policy ne reviewed. Perhaps racial integration is best achieved when it is driven by market forces rather than by policies that may limit the minority's freedom of choice and access to the market.

Today, Thursday, 20 November 2003

Reply by Leong Chok Keh

Deputy Director (Policy and Property)

For Director (Estate Administration and Property), Housing Development Board

Integration policy is just one factor affecting flat saleability

We refer to the letter, "Ethnic integration rule hits some HDB sellers: by Mr Leong Sze Hian (TODAY, Nov 17).

Singapore is a multi-racial society. Racial integration and harmony are crucial for our social cohesion. The Ethic Integration Policy (EIP) was implemented in 1989 to ensure a balanced ethnic mix in our public housing estates and prevent the formation of ethnic enclaves.

The EIP maintains the ethnic proportions at the neighbourhood and block levels within certain limits. These ethnic limits are set higher than the national population proportions to provide for some flexibility. Where the neighbourhood or block limit for an ethnic group is reached, HDB will disallow the resale of a flat if by doing so, the proportion of that ethnic group will be increased beyond the limit. There is no restriction on the sale if the buyer and seller are from the same ethnic group.

The EIP has met its objective in achieving a more balanced ethnic mix in public housing estates. When the policy was implemented in 1989, 28 per cent of the 125 neighbourhoods had at least one ethnic group which reached or exceeded the neighbourhood limit. Now, there are 24 per cent of such neighbourhoods, although the total number of neighbourhoods has grown from 125 to 165.

Generally, with large number of HDB flats available across Singapore and an active resale market, there should not be great difficulty for the different ethnic groups to sell and buy HDB flats.

Moreover, the EIP is not the only factor that affects the saleability of a flat and its selling price. Factors such as the prevailing market conditions, the attributes of the flat and the preferences of buyers will also influence resale prices.

The EIP is an important policy in maintaining a balanced ethnic mix in Singapore. We need to apply it consistently to all ethnic groups for it to achieve its objective.

TODAY, Weekend, 21~22 February 2004

Article by Shobha Tsering Bhalla

Steel rivets to stop windows falling

Exercise will affect all high-rise residential buildings

A massive retrofitting exercise affecting all high-rise residential buildings is due to begin later this year when a new law to ensure window safety in private and public housing estates comes into effect.

The proposed legislation will require owners of flats that have casement windows with aluminium rivets to replace the rivets with stainless steel ones. This is to comply with the latest and more stringent international standards that the authorities are adopting.

All high-rise property owners will need to have their properties inspected, at a cost of $40, by government-approved contractors. The replacement of rivets will cost between $150 and $200 for a three-room flat, said the Housing Development Board yesterday.

Replacing the rivets of an average-sized private flat is likely to cost about $300, said the Building and Construction Authority (BCA), which is overseeing the window safety drive jointly with the HDB.

The HDB will carry out a one-off “goodwill” rivet replacement programme for 43,000 flats that have casement windows installed by the board.

Under this programme, the HDB will co-pay 50 per cent of the cost of replacing the aluminium rivets and the flat owners will bear the rest. Flat owners who installed casement windows themselves will not be included.

The HDB said flats build before 1998 were fitted with aluminium rivets. There are approximately 193,000 of these units and of these, some 150,000, including those under the “goodwill” programme, require retrofitting.

The replacement programme will start next month and should be completed by next February.

When asked why the HDB flat owners have to pay for the replacement of fittings that were installed by the HDB, officials said that aluminium rivets were an industry standard at the time.

They added that they are working with town councils to help HDB flat owners get good rates from contractors.

“We are looking to working with town councils to organise the retrofitting just like the management councils of private condominiums so that there are bulk savings,” said a BCA spokesman.

But some flat owners may still baulk at the cost.

Mr Wong Kum Sek, a property valuer with 20 years’ experience, said: “Even those who are not in great financial difficulty may feel squeezed to spend that much just to change the rivets. In my condo there so many empty flats – no rent, so it would be difficult for them.”

But he agrees it is a pill that has to be swallowed.

“If it saves even one life, it is a good rule,” said Mr Wong.

The catalyst for the move is the growing incidence of falling windows.

At a press conference yesterday, the HDB and BCA said that over the last four months there had been, on average, three cases a week of falling windows, up from two per week previously.

“In view of the rising trend of falling windows, we feel we must act now rather than wait for it to get worse,” said Dr John Keung, HDB’s deputy CEO (Building & Development).

Between 2000 and last year, a total of 190 windows fell from high-rises – 166 in HDB blocks and 24 in private buildings. The majority of the windows, almost 80 per cent which fell from the HDB flats were casement windows, most of which had been installed by HDB flat owners.

Commercial high-rise buildings, while liable for inspection, are unlikely to need retrofitting as such buildings tend to have sliding windows, said a BCA spokesman.

About 900 workers from 400 construction companies have been trained to inspect and issue compliancy certificates.

Details of the legislation such as penalties for non-compliance have not been finalised but could be based on the legislation for air-conditioners where the maximum penalty for non-compliance is a fine of $5,000 and six months imprisonment.

Last November, the HDB published the Residents; Handbook to help flat owners carry out simple maintenance and repairs to their flats. From December last year, flat owners have been required to hire only HDB-trained window contractors to carry out window installation and repair works.

TODAY, Tuesday, 24 February 2004

Letter by Leong Sze Hian

Help flat owners inspect windows

Owners could also negotiate en bloc for lower inspection fees

I refer to the article, "Steel rivets to stop windows falling" (TODAY, Feb 21). Flat owners have to pay an inspection fee of $40 once in five to 10 years and tough, new legislation will be introduced this year, similar to the Building Control Act regarding air conditioners.

If 200,000 flats are inspected a year, the total inspection fees that Singaporeans have to pay will amount to $8 million a year. As the number of flats increases, this sum will also increase.

I would like to know how much time each inspection will take. If the average time taken is 30 minutes, inspecting about 14 flats in a normal seven-hour working day would derive $560 per day per inspector.

This works out to monthly revenue of $11,200, based on 20 working days in a month.

Surely, the inspection of windows cannot be so complicate, as to demand such high wages for the inspector.

I would like to suggest that the inspections be more open to competition so that the $40 fee may be reduced and left to market demand and supply. Blocks of flats and condominiums may also negotiate en bloc for lower fees. Otherwise, we may be creating another monopolistic industry with high fixed fees.

A new fee or legislating periodic inspections may not always be the best solution to minimise a potential hazard.

Some flat owners may become even more complacent and may adopt the attitude that as long as one pays $40 every five years, one need not bother about proper maintenance or checking regularly for wear and tear.

Flat owners could be encouraged to take greater personal responsibility by being educated about proper maintenance and how to look out for wear and tear, visible damage, loose or corroding rivets, etc.

A window could very well fall on your family members, relatives, friends or neighbours.

Why not explore the possibility of training grassroots volunteers to help flat owners inspect windows as it is only required once every five to 10 years and thus may not be a very time-consuming on-going activity or volunteer residents?

Flat owners could also be encouraged to buy home insurance, including public-liability cover, which may provide compensation in the event of injury or death from the accidental falling of windows or other objects.

TODAY, Wednesday, 28 July 2004

Letter by Leong Sze Hian

Are all councils facing deficits?

Find other ways to keep S&C fees down

The chairman of the Pasir Ris-Punggol town council explained that its service and conservancy (S&C) charges had to go up as it faces a $500,000 deficits for the year.

I would like to ask whether all town councils are operating at deficits. If not, how many are operating with surpluses? It would be interesting to ask the town council with the highest surplus why it needs to increase charges.

I understand that one of the objectives for the decentralisation to the town councils was to promote efficiency and better management of estates. What incentive is there for town councils to keep costs down, if the increase is across the board?

The other argument is that if an estate is not well-maintained, the value of the flats will go down. The same argument was made for upgrading of flats, but the values of many upgraded flats have also plunged.

S&C charges have not been raised for the past seven years, while costs have gone up.

Has the Government grant given to town councils also increased? The burden of rising costs should be shared by both the Government and the residents.

It has been cited that flats now come with more expensive lighting fixtures. So, it now costs $12 to replace a bulb, compared to $1 for a normal fluorescent tube.

Since the HDB is not responsible for estate maintenance – like it was before town councils took over – what measures are there to ensure that the Board takes into account maintenance costs when it builds new flats?

Perhaps, more Singaporeans can accept the cost increase if they understand that other measures are being explored to try to keep fees down too.

TODAY, Monday, 2 August 2004

Letter by Leong Sze Hian

Let them vote again soon

Residents reject HDB upgrading currently due to higher costs of flat ownership

The residents of Paya Lebar precinct have been told that if less than 75 per cent agree on upgrading their flats, the chance will be given to other estates.

Last year, Pandan Gardens residents were told that they would not soon get a second chance to upgrade their homes, after about a third of them voted against it. The National Development Minister then remarked that he was unable to say as to whether residents might be offered another chance in. say, five to 10 years.

MP Matthias Yao has said on July 29 that Paya Lebar residents only have one chance to decide.

If they choose not to, I would like to suggest that residents be given the chance to decide again in a year or two, or when the economy makes a full recovery and the unemployment rate starts to fall.

There has also been discussion about the pricing of HDB flats. HDB's reply was that prices also depend on affordability and the general level of property prices.

So, why have not upgrading charges gone down since 1996, since the prices of HDB flats are below their 1996 peak?

According to HDB's website, the Standard-Plus Package for a four-room flat is $16,400 for the resident (28 per cent) with the Government paying $41,900 (72 per cent). How can it be that the upgrading cost of $58,300 is higher than the $50,000 needed to build a new flat?

Also, why is the Standard-Plus upgrading package of $58,300 the same for all three, four, five-room and Executive flats?

HDB service and conservancy charges were recently increased, as were HDB car park and property tax last year. For some, upgrading may be another increase in the costs of owning a HDB flat which they may not be able to afford now.

TODAY, Friday, 13 August 2004

Reply by Tay Boon Sun

For Director Corporate Development

Housing & Development Board

We refer to the letters on the Main Upgrading Programme (MUP) at Pelton Place (in Paya Lebar) by Mr Leong Sze Hian, “Let them vote again soon”, (Aug 2), Mr Tan Hock Ann, “Vote was against package, not upgrading”, (Aug 4), and Ms Josephine Ong, “Upgrading thwarted by minority misconception”, (Aug 5).

Ms Ong said it was disheartening to have the MUP aborted because the minority said no, while Mr Leong suggested that flat owners be given the chance to poll again in a year or two.

The MUP is a heavily subsidised programme. Flats owners need only pay between 10 and 20 per cent of the upgrading costs for the Standard Package.

Under the Housing & Development Act, HDB will implement the MUP if at least 75 per cent of eligible flat owners in a precinct vote for it.

This high support level is required so that upgrading will proceed only if there is a clear mandate and commitment from the residents.

HDB understands the disappointment of the residents at Pelton Place who had looked forward to the MUP.

However, we must preserve the integrity of the polling system and are thus unable to consider a re-pool. Besides, there are no provisions under the Act to do so.

As to whether the MUP could be offered to Pelton Place again in future, this will depend on the financial resources available.

HDB will also have to consider the fact that there are many other precincts still eligible for the MUP.

Mr Leong and Mr Tan raised several queries on the MUP package and costs.

The package is a comprehensive one that improves the overall living environment by providing improvements within the flats, the blocks and the precinct.

HDB reviews the MUP regularly to ensure that it meets the needs of residents and provides value for money. Over the last few years, HDB has focused the scope of works on core items that provide tangible benefits, thereby reducing the amount flat owners have to pay.

As the MUP is already heavily subsidised, there is currently no “discount” if some flat owners choose to opt out from certain improvement items under the Standard Package.

Nonetheless, flat owners do vote separately for the Space-Adding Item (SAI) under the Standard Plus Package and there is no need to pay for the SAI if it does not obtain the 75 per cent "Yes" votes.

We would like to assure residents that, in drawing up the upgrading package for the precinct, HDB and the MUP Working Committee for Pelton Place had tried its best to accommodate residents' feedback.

Residents were duly informed of what the package entail through newsletters, a mini exhibition, straw polls and house-to-house visits. They were also informed of the financial assistance available.

During the polling period, HDB officers and the Working Committee members, including grassroots leaders, were also on site daily to explain the benefits of the MUP and attend to residents' queries.

TODAY, Wednesday, 1 September 2004

Article by Derrick A Paulo

Housing policies' family bias remain

But Mah willing to consider giving if they stay close to parents

When the Government released the details of its latest housing policies yesterday, it signalled that tending the needs of singles would not come at the expense of families.

Come Sept 15, there will be more housing options – any type of resale flat as opposed to only three-room flats now – for singles to pick from. But housing subsidies will be in shorter supply for this group.

Only those whose monthly income is $3,000 and below will qualify for the $11,000 singles housing grant and HDB concessionary loan if they buy up to a five-room resale flat.

Before this, first-time buyers qualified for the subsidy if their income did not exceed $8,000 a month, which will remain the eligibility criteria for families who receive a $30,000 grant.

To "establish parity", National Development Minister Mah Bow Tan (picture) said that single lessees who benefited from the grant need only pay half of what families pay in resale levies when they sell their flat later.

However, the net effect of the revised policies on middle-income singles seemed to be less than satisfying. “It seems they’re helping the lower income group. But what about those earning slightly more than $3,000, like me? I think the scheme is working at a disadvantage to me,” said Mr Tommy Tan, 34, who is on the lookout for a three-room flat.

The HDB said that about 3,200 buyers under the Single Singapore Citizen scheme are eligible for the grant each year and 85 per cent of them earn $3,000 or less monthly.

Chesterton International research director Nicholas Mak pointed out, however, that the change to allow singles to buy any HDB resale flat would attract buyers with a wider income range.

“If the objective of the Governments is to truly provide singles with more housing choices … it should not lower the income ceiling because the prices of the larger-sized flats are higher than that of three-room flats,” he said.

But, Mr Mah felt that the new ceiling was still affordable as almost half of all households in Singapore, including single person households, earn less than $3,000 a month.

At the press conference yesterday, he explained that changes in housing policies would continue to be made for singles but the bias towards the family will remain.

“There is a difference between the entitlement for families and the entitlement for singles. In the same way, there is a difference between the entitlement or citizens and the entitlements for PRs. We do make a distinction. But, that doesn’t mean that singles get nothing.”

One thing he would be willing to consider for the future is to give singles a bigger grant if they stay close to their parents.

TODAY, Weekend, 4~5 September 2004

Letter by Leong Sze Hian

Singles owning homes: Easier or harder?

New policy may be restricting options

From Sept 15, singles aged 35 and above can buy any type of resale HDB flat, but the income ceiling to qualify for the singles housing grant and HDB concessionary loan will be revised from $8,000 to $3,000 a month.

This is a decrease of 62.5 per cent. Why such a large drop?

Singles may perceive that instead of opening up their choices, the new policy actually restricts their options.

As one's income tends to increase over time, singles may be forced to buy flats before they cross the $3,000 ceiling – even if they are not in a financially strong position.

Not being able to qualify for the grant may lead to singles borrowing more, thus incurring heavier mortgage repayments, and less surplus cash-flow for eventually getting married, providing for parents, etc.

Such singles also run a higher risk of losing their CPF savings and the flat, in the event of a default.

They will also have a harder time dealing with the withdrawal limit cap of 144 per cent – which will decrease by 6 percentage points annually till 2008, when it will have dropped to 120 per cent valuation, on the use of CPF to pay for the down payment and monthly repayments.

TODAY, Thursday, 2 December 2004

Letter by Leong Sze Hian

Tender way better for sale of HDB Corp

Should public assets be sold for undisclosed sum?

I refer to the article, "Temasek buys shareholding of HDB Corp" (Dec 1).

It states that the Housing Board is selling its corporatized arm, HDB Corporation, to Temasek Holdings for an undisclosed sum.

Media reports say that the deal caught the market by surprise as no tender was called for the sale.

An HDB spokesman was reported as saying, "We did not call for a tender as one of HDB's primary concerns when considering the sale of HDB Corp was to avoid any disruption in services to HDB residents after the company is sold."

I am puzzled as to how the calling of a tender for the sale could have caused any such disruption?

The HDB is a statutory board and, in a sense, the price it gets for selling HDB Corp is money that belongs to the citizens of Singapore. Couldn't a tender have resulted in a higher price?

As I understand, the disclosure requirements for Temasek, a private-exempt company, are different from those for public-listed companies or statutory boards.

An important issue before us is whether such sale of public assets should be at a "mutually agreed price" and "undisclosed sum"?

Since HDB Corp will be allowed access to the private sector from 2007, whatever happened to the "yellow pages rule" whereby I understand that the public sector should, wherever possible, try not to compete with the private sector within the domestic market in Singapore?

TODAY, Tuesday, 7 December 2004

Reply by Tay Boon Sun

Senior Public Relations Officer

For Director Corporate Development

Housing & Development Board

No loss to taxpayers over HDB Corp sale

Temasek will go on protecting it as 'past reserves'

We refer to Mr Leong Sze Hian's letter, "Tender way better for sale of HDB Corp" (Dec 2).

Mr Leong asked why there was no tender for the sale of HDB Corp to Temasek. A tender was not called because the aid of the divestment was to give the recently corporatized HDB Corp autonomy and flexibility as it evolves and ventures into housing development projects overseas, while avoiding any disruption in services to HDB residents.

HDB Corp has been assigned the responsibility for the design and development of all HDB projects until June 2006.

As a value-adding shareholder, Temasek has the relevant experience to nurture HDB Corp into a successful regional enterprise while ensuring that HDB Corp will continue to deliver the same high quality of service to HDB and its residents.

The sale of HDB Corp to Temasek was carried out at arm's length. HDB Corp was sold to Temasek at its net tangible asset value, a price both HDB and Temasek regarded as fair.

There is no question of loss of value to taxpayers, as the transaction was carried out between two entities wholly-owned by the Government (namely, HDB and Temasek) that are required under the Constitution to protect past reserves.

HDB Corp will continue to be protected as past reserves under Temasek after the sale.

This also means that should Temasek divest HDB Corp in the future, the fair market value then for HDB Corp would be preserved as past reserves under Temasek.

Mr Leong also asked whether the sale was consistent with the "yellow pages" rule. It is. The "yellow pages" rule says that statutory boards should not set up enterprises to perform activities that could be performed by the private sector.

In this instance, no new enterprise is being set up by HDB. If anything, the move by HDB to corporatize its building arm will eventually provide more opportunities for the private sector to participate in the provision and development of public housing in Singapore.

TODAY, Monday, 20 December 2004

Letter by Leong Sze Hian

Cash-backs may be undermining HDB's objective

Currently, HDB flat buyers who cannot qualify for HDB loans or choose to use bank loans have to pay 2 per cent down payment in cash.

From Jan 1, this will increase to 4 per cent, followed by further 2 per cent increments until 2008.

At the same time, more banks are offering cash-back for housing loans. Cash-backs appear to be more generous as they may be based on the purchase price instead of the loan amount.

Does this mean that even if the required cash down payment for a flat is not available, it is less of a problem now because of the cash-backs banks offer?

Will this not nullify the objective of the policy change in raising HDB down payments to ensure flat buyers are more prudent financially?

If cash-back is not allowed for CPF investments, why is it allowed for housing loans?

At the end of the day, the net effect of requiring higher cash down payments may be that flat buyers may actually be borrowing more, paying higher interest rates and committing to longer redemption penalty lock-in periods.

Perhaps, we should consider going back to the old policy of allowing the full down payment to be paid from CPF?

TODAY, Friday, 4 February 2005

Reply by Julia Hang

Deputy Director

(Corporate Communications)

Ministry of National Development

No rent hike since '79

HDB has held firm on prices for 1- and 2-room rental flats

In Leong Sze Hian's letter "Difficult for old to cope with rate increases" (Jan 27), he said that rents and service and conservancy charges (S&CC) for 1-room flats had risen by 160 per cent and 428 per cent, respectively, over the past decade.

This is not true. HDB has not raised the rents for its 1- and 2-room rental flats since 1979. Gross rents have remained at $26-$33 for a 1-room, and $44-$75 for a 2-room flat. These rents are highly subsidised and are substantially below market rentals.

Similarly, the monthly S&CC for a 1-room flat in 1994, as cited by Mr Leong, was after deducting the rebates introduced by Government as part of the Goods and Services Tax (GST) offset package, in 1994. Although the rebates were meant to be temporary, they were extended in 1998 due to economic slowdown, and again in 2002, as part of the offset package when the GST was increased.

The rebates announced in 2002 were meant to be phased out over a 5-year period.

From April this year, the monthly rebates that rentals tenants currently enjoy will cease in line with this announcement.

The writer is wrong to conclude from this that HDB and the Town Councils are raising their rental and S&CC rates, respectively, with effect from April.

In fact, HDB tenants will continue to enjoy rental and S&CC waivers until early 2008.

This year, 1-room rental households need not pay rent for 4 months and S&CC for 5 months, as these will be paid for by the Government as part of the GST offset package.

Besides the subsidised rental and rebates, HDB will help tenants in financial difficulty by allowing them to pay their rent in instalments within a reasonable period.

HDB will also work with various agencies such as grassroots organisations, the Community Development Councils and voluntary welfare organisations to help tenants in financial hardship.

If Mr Leong's friend needs help with his rental payments, he can contact the HDB's Branch Services Line at 1800-2255432 for advice.

TODAY, Tuesday, 19 April 2005

Resale levy on HDB flats to continue: Mr Mah

National Development Minister Mah Bow Tan has said that the Housing and Development Board (HDB) will continue imposing a resale levy on HDB flats.

He was responding to opposition MP Chiam See Tong, who had asked for the waiver of all resale levy related to HDB flats. The levy was to ensure that first-timers enjoy public housing subsidy, the minister said.

"It is a payment imposed on those who buy a second subsidised flat from HDB after they have sold their first subsidised flat. The resale levy reduces the subsidy on the second flat, thus ensuring that public housing subsidy is given more to first-timers, who have not yet enjoyed any subsidy," Mr Mah told Parliament.

Mr Chiam also wanted to know if the resale levy could be waived for those who make a loss when they sell their HDB flat, or whether it could be charged as a percentage of the profit made.

Rejecting the idea, Mr Mah said: "The resale levy is not a tax to cream off any profit from the sale of the first flat. It is payable only if a lessee buys a second subsidised flat from HD. Those who buy private housing or a resale HDB flat will not have to pay the levy. They can keep the full sale proceeds from their first subsidised flat."

In the case of those affected by the Selective Enbloc Redevelopment Scheme (Sers), Mr Mah said HDB lessees need not pay a resale levy if it is their first subsidised flat. However, if it is their second or subsequent subsidised flat, they can choose to convert the resale levy into a premium on the price of the new flat.

Those who are eligible for the additional $30,000 discount under Sers can opt to forgo this discount, but pay the levy. This effectively caps the levy at $30,000. – Channel NewsAsia

TODAY, Thursday, 21 April 2005

Letter by Leong Sze Hian

HDB levy quandary

I refer to the report, “Resale levy on HDB flats to continue: Mr Mah” (April 19). The minister said the HDB resale levy could not be waived, even if you were selling your HDB flat at a loss.

I have a friend who is facing financial difficulties and wants to downgrade to a smaller flat. However, he will suffer a loss because his flat is worth less than the purchase price. To top it, he has to pay the resale levy. If he cannot pay the levy, he cannot downgrade; he must buy from the resale market.

As a taxi driver with no CPF contribution, the price differential between a new flat and a resale flat will not alleviate his cash-flow problems. For a resale flat, he will also have to take a bank loan, which he does not qualify for.

He has not been able to pay his monthly mortgage instalments on and off for about 10 years and his loan balance keeps getting larger.

So, what should he do? Wait for the casinos to come and try his luck?

TODAY, Tuesday, 26 July2005

Article by Val Chua

Buying a new home: Know the rules first

The past weekend has been a busy one for IT professional Albert Yee.

The 29-year-old bachelor has been visiting showrooms in the Serangoon area in a quest for his dream home – two-bedroom private condominium unit – after the Government relaxed financing rules for property purchases last Tuesday.

“As a single, I can’t buy HDB flats till I am 35 years old. So private property is an only option,” he said.

With the new rulings, instead of forking out 10 per cent in cash up front, Mr Yee needs only pay 5 per cent in cash, with the other 5 per cent paid using his CPF money. He can also borrow up to 90 per cent from the banks, instead of the previous ceiling of 80 per cent.

Said Mr Yee: “My major concern is financing as mine will be a single-income home. I’m also worried that the banks will increase interest rates further.”

Already, the three local banks – DBS, Overseas-Chinese Banking Corp (OCBC) and United Overseas Bank (UOB) – have raised their mortgage interest rates by more than one third for those seeking loans of up to 90 per cent, as compared to existing packages with an 80-per-cent limit.

For property buyers, especially first-timers, it is wise to take note of the many risks involved before plunging into the private property market.

The chief executive officer of financial advisory firm New Independent, Mr Joseph Chong, said: “Don’t be seduced by the fact that it is now easier to buy a private property and therefore you can afford to splurge. If you do so, you will not only be stuck with it, but your retirement funds will be hit too.”

Generally, experts agree that one should not incur more than 35 per cent of one’s household take-home income to service the monthly mortgage.

THE CPF RULES YOU NEED TO KNOW

If you are 30 years old now, taking a 30-year mortgage is not advisable for you may still be paying for the house when you should be enjoying retirement bliss. In fact, it is prudent to plan to pay off the loan by the CPF withdrawal age of 55. Here are some reasons why.

Minimum sum at 55 years old:

Currently, you are required to keep a minimum sum of $90,000 in your Ordinary Account when you reach 55. This minimum sum will gradually increase to $120,00 by 2013. This means that you can only withdraw anything in excess of that amount.

“Some people may not have the excess to withdraw, let alone use it to service their mortgage,” said Ms Anne Tay, vice-president of wealth management at OCBC.

Contribution to the Ordinary Account does not grow with age:

You will fund your mortgage repayment with funds in your Ordinary Account, instead of the Special Account or the Medisave Account. As you grow older, in line with lower CPF contribution rates, the amount going into your Ordinary Account will drop from 22 per cent (35 years old and below) to 20 per cent (35-45 years old) to 18 per cent (45-50 years old) to just 12 per cent (50-55 years old).

Also, under current rules, any excess above the Medisave contribution ceiling ($32,500) will flow directly into your Ordinary Account. However, from July 1, 2006, this money will be transferred to your Special Account instead (if you are aged below 55 yrs), or your Retirement Account (55 yrs old and above).

Lower salary ceiling:

From Jan 1, 2006, the salary ceiling for CPF contributions will be lowered to $4,500 per month, down from $5,000 currently. Thus, if you earn $4,800 a month, you and your employer will only contribute CPF for the part of your pay up to $4,500. This means more take-home pay but also dwindling Ordinary Account contributions for loan repayments.

Reduced housing withdrawal limit:

Home buyer, know this term: Valuation limit. This is the price of the property or its valuation by a bank, whichever is lower.

For example, if you buy a $400,000 property for $420,000, the valuation limit for the house is $400,000.

The cap on CPF withdrawals to repay your loan was reduced from 150 per cent to 138 per cent of the valuation limit this year. The cap will be reduced to 120 per cent by Jan 1, 2008.

This means you may hit the cap sooner than you think, given rising interest rates. For instance, come Jan 1, 2008, should you refinance or take up a new home loan with tenure of 30 years, at an average interest rate of 5 per cent throughout, the use of your CPF cap will be reached in 19 years and 11 months, said financial planner Leong Sze Hian.

“Therefore, you have to use cash to pay the monthly repayment,” he said.

OTHER COSTS/RISKS INVOLVED:

First charge:

For home financing using CPF funds, banks are given first charge and the CPF Board second charge on the property. This means that if you cannot pay off your home loan and your property is sold, the bank has the first claim to the sale proceeds. The CPF Board is paid if there is money left over.

Stamp duty:

You can use your CPF savings to pay this Government tax. It is calculated thus: 1 per cent on the first $180,000, 2 per cent on the next $180,000 and 3 per cent thereafter.

Legal fees:

This will amount to about 0.6 to 0.8 per cent of the purchase price. Banks often subsidise this, but do note that they may require you to pay this back if you switch to another bank within the first three years, even if your home loan has no lock-in period.

Pre-payment penalty:

Some home buyers may want to pay off their mortgage early, partially of fully, to save on interest. However, banks may charge them a fee, known as a pre-payment penalty. The penalty could range from 0.5 to 1.5 per cent of the loan principal.

Insurance:

You may be required to take up a fire insurance policy for your property, as well as a mortgage insurance plan.

Property tax:

If you own and occupy the property, the tax rate is 4 per cent of the annual assessed value. If your property is rented out, the tax is currently 10 per cent of the annual assessed value of the property.

LOOK BEFORE YOU PLUNGE

Experts caution home buyers not to be swept up by the euphoria of glitzy private property launches.

Associate Professor Ong Seow Eng, deputy head of research at the National University of Singapore's Real Estate Department, said: "View property purchase as a long-term commitment rather than as a speculative decision."

You should also review your other financial commitments like car loan, education loan and insurance premiums.

OCBC's Ms Tay said: "You must consider the worst case scenario: What if I fall ill or my spouse loses her job? Just because the rules change doesn't mean you should be financing to the brim."

TODAY, Friday, 28 October 2005

Article by Siew Kum Hong

A sense of false safety in numbers

Zooming in on home equity may not give an accurate picture of lower-income households' finances

The Department of Statistics recently released a paper on home ownership and equity of HDB households. It makes for impressive reading, and rightly shines the spotlight on the overall success of Singapore's public housing policy.

In particular, many have cited the impressive statistic that the lowest 20 per cent by income of households in owner-occupied HDB flats have an average home equity (that is, the value of the flat less the outstanding loan) of $138,000.

That is no small sum. But as I delved into the details, I wondered if the report's findings – seen in proper perspective – are as wonderful as some have made them out to be. In the first place, home equity is not an appropriate indicator of wealth in Singapore, given the limited alternatives to home ownership here.

Yes, people can rent. But renting is not a perfect alternative to housing in Singapore, because CPF funds can be used to buy homes but cannot be used to pay rentals.

With the employees' CPF contribution being a hefty 20 per cent of gross salary, this is a major consideration. It can therefore be difficult, if not impracticable, to convert home equity into actual cash.

If a family sells their HDB flat, they may gain some cash, but will lose the ability to use 20 per cent of their combine salaries to pay for housing. This is aggravated by the fact that rentals in Singapore are not cheap, while direct rentals from HDB are stringently controlled and far from guaranteed.

Let's say that the market monthly rental for a 3-room HDB flat is $800. If an average household in the bottom 20 per cent sells its HDB flat and rents a 3-room flat instead, the home equity realised would cover only about 15 years' rentals.

This is assuming the full $138,000 is realised as free cash – unlikely given costs such as stamp duties and legal fees. It may also be necessary to repay any CPF funds used to buy the flat, plus the CPF interest foregone. It is of course possible to monetise part of the home equity by subletting a room or the whole flat. But subletting a room comes with difficulties, especially for big families.

And while the HDB has liberalised the eligibility requirements for subletting the whole flat, that still leaves the question of alternative accommodation, which will reduce the amount of cash from renting out the flat. We must also remember the 13 per cent of the bottom 20 per cent households who do not own their flats.

This 13 per cent translate into a sizeable 23,000 households living in HDB rental flats. They can benefit from the many assistance schemes available.

Still, we need to always remember this under-class with low incomes and without any home equity, who continue to need extra help. In this regard, the recent NTUC proposal to eliminate employees' CPF contributions for those earning less than $1,000, with the Government contributing to their CPF accounts, is noteworthy. But the Government's welfarism may make this a difficult proposition. The paper raised a couple of other questions that deserve closer attention, 52.2 per cent of the bottom 20 per cent households live in four and five-room flats. This calls into doubt the strategy of tying goodies such as CPF top-ups to housing type, as they may not reach those who would benefit the most.

Furthermore, the income figures in the paper appear inconsistent with those stated in the 2003 Household Expenditure Survey (HES) released earlier this year.

The DOS paper cited an average annual income of $14,100 for the bottom 20 per cent households in owner-occupied HDB flats. But the 2003 survey had reported an average monthly household income of $795 ($9,540 per year) for the bottom 20 per cent households, taking into account possible annual bonuses.

So which figure is right? Yes, the HES figure covered all households, whether in owner-occupied HDB flats or otherwise.

But when I tried to work back from the figures in the paper for home ownership rates and average annual household income, I could not come close to reconciling the figures. Hopefully, the DOS could shed some light on this.

The DOS paper concluded with some fairly upbeat remarks about the success of the Government's home ownership policies. Yes, the Government has done amazingly well in this regard. But I would urge against drawing conclusions, based simply on this paper, about the wealth of the low-income.

The Government has noted the risks of the growing "asset rich, cash poor" phenomenon. It would be a pity if the illusory asset of home equity is allowed to obscure the needs of low-income households.

TODAY, Friday, 4 November 2005

Letter by Leong Sze Hian

Waive resale levy for the poor

Relax waiting period and ineligibility rules for them to rent flats

I refer to the commentary, "A sense of false safety in numbers" by Siew Kum Hong (Oct 28), and responses that the National Trade Union Congress' call to exempt low-income workers from making CPF contributions will erode the fundamental position of helping the lower-income own homes.

The lower-income group may be in a catch-22 situation, because they cannot realise the average $100,000 home equity without foregoing a home to live in, when they retire or lose their jobs.

Because of the two-and-a-half year waiting period to rent a HDB flat after downgrading, the alternative of renting another flat in the open market for about $800 is not a viable option for them.

Those who have purchased two flats directly from HDB are also not eligible to rent a flat.

The bulk of the $100,000 home equity is derived from the CPF and used to pay for the housing loan principal and interest over the years. Consequently, many lower-income Singaporeans may have little CPF, because they were consumed by the mortgage repayments.

This begs the question as to whether the lower-income would have been better off, had they rented a one-room flat from $26 a month or two-room flat from $50 monthly, and accumulated their CPF and accrued interest instead?

As there are around 3,600 vacant HDB rental flats and about 9,000 HDB flats that have remained unsold for many years, why not relax the two-and-a-half year waiting period and "two flats purchase ineligibility" rules for the lower income group?

Policies such as the resale levy and ethnic quota where applicable, may also reduce the home equity that can be realised.

The primary role and mission of the HDB should be to provide affordable housing for Singaporeans, and perhaps more so for the lower income. If it can waive the resale levy in an attempt to gradually sell off its surplus flats, why not allow such waivers for the poor?

The survey found that the equity-to-income ratio was highest for those in the lowest 20 per cent of households, at 9.8, compared to only 1.7 for the top 20 per cent.

This may not be an indication that the lower-income are better off – the higher ratio may be due to the drop in income of the lower-income relative to the rise in income of the higher-income, as shown in the survey.

There are 4.4 per cent of households, which is about 38,700 HDB flat owners, who are in arrears on their service and conservancy charges.

How many HDB flat owners are currently in arrears on their housing loans (with HDB and banks), and how many are in the lower-income group?

TODAY, Thursday, 17 November 2005

Reply by Tay Boon Sun

For Director, Corporate Development

Housing & Development Board

The HDB accounts for everyone

I refer to the letter "Waive resale levy for the poor" (Nov 4), by Leong Sze Hian. The writer felt that HDB's policies on rental flats and resale levy have made it difficult for the lower-income group to downgrade and realise their home equity.

HDB's policies serve a major objective, namely, to distribute our public housing subsidies to Singaporeans who need them most. In the case of rental housing, HDB provides subsidised rental housing to the lowest income group who have no other housing options.

The rentals are much cheaper than those in the open market because they are heavily subsidised by the government to ensure affordability for the very poor.

Those who already own a HDB flat and want to cash out and rent can use the sales proceeds to rent a room or a flat from the open market, according to what they can afford.

There is no waiting period for those who rent from the market. Similarly, the resale levy only applies if a flat owner is buying a second new flat from HDB.

In such a case, the owner is enjoying a second housing subsidy from the Government. A levy on the sales proceeds from the first flat reduces the second subsidy that he will enjoy. This enables the Government to provide more subsidies for new first-time buyers.

The flat owner does not have to pay the levy if he is selling his first subsidised flat and buying a resale flat.

Contrary to what the writer said, HDB did not waive the resale levy in an attempt to sell its surplus flats. HDB had offered a small number of unsold flats for sale at market prices.

Since the flats are not subsidised and are similar to resale flats, buyers who have already enjoyed a housing subsidy do not have to pay a levy.

HDB has made it easier for flat owners to downgrade and encash their home equity. We have resumed building new 3-room flats and reduced waiting time for households buying a second subsidised flat from 10 to five years. HDB Studio Apartments' sales conditions have also been relaxed.

HDB is currently reviewing the resale levy policy and exploring with financial institutions reverse mortgage arrangements for elderly flat owners.

Finally, while these policies are in place to ensure that subsidised housing is provided only to those who are eligible, HDB does consider appeals for those who are in financial difficulty and who have no other options such as staying with family members.

TODAY, Tuesday, 6 December 2005

Reply to public queries by Tay Boon Sun

Senior Public Relations Officer,

For Director (Corporate Development),

Housing & Development Board

We build homes, not just houses

HDB is serious about getting S'poreans to grow roots, and more than 95% of residents own their own homes

In the commentary, "Transparency and those Redhill flats" by Mr Vincent Chia (Nov 29), and forum letters "Transparency begins at home" by Mr See Leong Kit (Dec 1) and "How does HDB manage its finances" by Mr Gary Lee (Dec 2), the writers have raised the issues of affordability and pricing of new Housing & Development Board (HDB) flats.

Affordability has always been a major consideration in the pricing of HDB flats. HDB sells flat with a market subsidy to enable the majority of Singaporeans to afford a basic flat. This market subsidy is provided in two ways:

One, by pricing new flats below the market price of comparable resale flats, and two, by providing housing grant of $30,000/$40,000 for buyers who opt for resale flats.

At current price levels for 4-room and 5-room HDB flats, young couples who have worked for about two or three years would be able to afford the 10 per cent down payment using their CPF savings.

Latest HDB data also show that households need only use on average about 20 per cent of their monthly incomes to service the mortgage loan.

This is well within the 40 per cent guideline that is used by most financial institutions as a basis for credit assessment, and the international benchmarks of household expenditure on housing.

In fact, more than 70 per cent of the lessees with outstanding loans are servicing their monthly mortgage payment fully using their CPF contributions – i.e.: They do not need to use any cash.

Mr See is mistaken in his assumption that a 5-room flat costs only $100,000 to build. The fact is that the total development cost of such flats – which includes the cost of construction, land, infrastructure, piling works, lift installation, project management, administration and financing – is significantly higher.

HDB is unable to recover the development cost of its flats as it sells them at a subsidised price. That is why HDB incurs an overall deficit amounting to hundreds of millions of dollars each year for its home ownership activity, as reflected in HDB' annual accounts which are available publicly.

Mr Chia and Mr See too issue with the difference in price between flats in mature estates like Redhill and new estates like Punggol. The selling prices of Redhill flats are higher simply because they are located at a prime site, immediately next to the Redhill MRT station.

As such, their land cost is higher, and they cost more to develop. Like all other new HDB flats, the Redhill flats are sold with a subsidy.

Mr Lee has questioned why there should be deficits in HDB's accounts if HDB sells land to build shopping malls and condominiums and charges rental for shops.

HDB sells lands in new towns as an agent for the Government. The sales proceeds do not accrue to HDB.

It is clearly shown in HDB's annual report tha HDB's rental income is insufficient to cover the operating deficit generated by HDB's Home Ownership and Upgrading programmes.

HDB's mission is to provide affordable quality homes, create and rejuvenate our towns, and promote the building of cohesive communities.

These are important social objectives that have contributed to Singapore's cohesiveness as a nation. Through policies that encourage and facilitate home ownership among Singaporeans, this has helped to forge a sense of rootedness and belonging in our society.

Mr See asked if we are really serious about getting our people to set roots in Singapore and to treat it as home.

With more than 95 per cent of HDB residents owning their own homes, the answer is clear for all to see.

TODAY, Weekend, 30 September ~ 1 October 2006

Article by Lee U-Wen

HDB reports $1.4B ops deficit

The HDB has reported a $1.4 billion operating deficit incurred for the financial year ending March this year – its largest since 1999.

This is up from a deficit of $850 million the previous financial year and does not factor in government grants, said the statutory board as it released its latest financial report.

The additional deficit of $556 million takes into account, chiefly; the divestment losses after HDB sold its total investment in a subsidiary company, Surbana Corp, to Temasek Holdings.

HDB's financial report said of the sale "The net assets disposed were $117 million and the net cash outflow from the disposal of (HDB Corp) was $52 million."

The closed-door deal that took place in September 2004 sparked some discussion at that time because no tender was called, while the final sale price was not revealed to the public.

Surbana Corp, which was the HDB's construction and consultancy arm, was formerly known as HDB Corp before it was renamed last year.

Explaining the difference in deficit as a whole, HDB chief executive Tay Kim Poh said: "This is largely because we made provision for possible impairment losses in industrial land and industrial properties.

"There are also some provisions for doubtful mortgage loans. Apart from these the other financial results have not changed very much."

There was a deficit of $51 million under the Mortgage Financial Segment category, compared to a surplus of $17 million the previous year.

The HDB said these were mainly due to "doubtful mortgage loans", which it explained as outstanding long-term monthly mortgage payments owed by flat-buyers who are in arrears.

The highest deficit of late has been $1.52 billion at the end of the 1998/99 financial year.

TODAY, Monday, 2 October 2006

Letter by Leong Sze Hian

Better off renting?

I refer to the article "HDB reports $1.4b ops deficit" (Sept 30).

It reports "a deficit of $51 million under the Mortgage Financial Segment category, compared to a surplus of $17 million the previous year", mainly due to "doubtful mortgage loans" – which HDB explained as outstanding long-term monthly mortgage payments owed by flat-buyers in arrears.

In the financial year ended March, the HDB gave financial assistance to 28,386 flat owners, a 26 per cent drop from the previous year. Why, then, did the deficit from "doubtful mortgage loans" rise to $51 million?

Relative to higher-income family, the probability of a lower-income family running into financial difficulty during a typical 30-year mortgage is quite high.

When I was a volunteer doing financial counselling and mentoring for recipients of the Home Ownership Plus Education (Hope) scheme, among others, almost 100 per cent were unable to service their housing loans regularly. If they could turn the clock back, most would rather have rented a HDB flat for $26 a month upwards instead.

I suggested we rethink the policy of encouraging lower-income people to own their flats. That is, unless HDB subsidised loan flat-owners are accorded the same CPF protection as private property owners prior to September 2002 – when the first charge on the property was to CPF, so that in the event of foreclosure, one's CPF plus accrued interest would be protected and returned to one's CPF account.

TODAY, Friday, 6 October 2006

Reply by Tay Boon Sun

Senior Public Relations Officer

For Director (Corporate Development)

Housing & Development Board

Ownership schemes target those 'ready and able'

I refer to the letter, "Better off renting?" by Mr Leong Sze Hian (Oct 2).

HDB has always emphasised the need for HDB flat buyers to exercise financial prudence and to plan for the long term. To reinforce this, HDB has a credit assessment process, which includes financial counselling to advise buyers. Schemes to encourage home ownership are aimed at those who are ready and able to buy their own flats. HDB offers a range of affordable housing options from smaller two-room flats to larger five-room flats, so as to suit different needs and budgets.

For those who are not financially ready or able to own their own flats, HDB maintains a stock of rental flats to provide such families with affordable and heavily subsidised rental housing. As the income levels of those who own and rent flats are different, the choices of flats available to the two groups therefore are also different. In addition, given that rental flats are highly subsidised and limited in number, it is important that they are reserved only for those who are genuinely in financial hardship.

Mr Leong highlighted that a deficit of $51 million was reported under the Mortgage Financing Segment of HDB's FY05 Annual Report, whereas a surplus of $17 million was reported in the previous year.

We wish to clarify that this is mainly due to a more conservative approach in the provision for doubtful loans as part of good accounting practice.

TODAY, Tuesday, 5 December 2006

Letter by Leong Sze Hian

Why a need for new loan?

Know this, before you register for an HDB flat with your parents …

I refer to the Housing Board's policy on the withdrawal of fractional ownership of a HDB flat. For example, a son who purchases a HDB flat with his parents may subsequently wish to withdraw his name to purchase his own flat when he gets married.

In such situations, the HDB requires the parents to take up a new loan to pay off the existing loan balance and return the Central Provident Fund (CPF), plus accrued interest paid by the son to the son's CPF account.

I know of someone in a predicament because the HDB requires his parents to take up a new loan with a bank, as they are deemed to have used up the two HDB subsidised loans allowed.

Their existing HDB subsidised loan monthly repayment is $562, but the new bank loan's repayment is about $1,200 –the bank was prepared to give only a 14-year loan because of their age. The total amount the parents have to borrow is about $160,000, much more than the current outstanding HDB loan balance of $104,000.

There are also issues such as giving first charge on the flat to the bank and probably higher fluctuating loan interest rates than HDB's 2.6 pre cent. Currently, the HDB bank loan rate is around 3.75 per cent.

There may be other Singaporeans in this situation, particularly those with older parents. Those with parents, who are retired, unemployed, with poor credit records, and so on, may not even be able to get a bank loan or be required to get a guarantor.

Before HDB bank loans were allowed on Jan 1, 2003, I understand this problem was not so pronounced, as HDB market rate loans followed HDB loan policies, different from today's bank loan criteria, policies, terms and conditions.

According to the HDB, for a change of ownership of the flat, the existing loan must be discharged. I believe that not many people are aware of this, when they put their name with their parents in a HDB flat.

And if your parents upgrade just once to a bigger flat, you as the child will no longer be eligible for an HDB subsidised loan.

Why does the HDB require a new loan to be taken out? Why not just let the existing loan continue?

If the son does not mind, why not allow his CPF to be returned later to his CPF account, instead of requiring a new loan now to return it?

TODAY, Wednesday, 6 December 2006

Letter by Kang Lay Beng

No way out without taking out a new loan on shared flat

I read Mr Leong Sze Hian's letter, "Why a need for a new loan?" (Dec 5) and would like to share my personal experience.

My current Housing Board flat is registered with my husband as joint-owner. I am paying the loan instalments in cash.

I approach the HDB to remove my husband as a co-owner but they said I needed to obtain a new loan is about $70,000. I believe most banks have a minimum loan quantum of $100,000.

Why I cannot understand is that if I am already paying for the current loan, why can't this remain the status quo? There is no way out for me. And if I divorced my husband, I will have no alternative but to sell the flat.

TODAY, Monday, 11 December 2006

Letter by Wong Hong Kong

No way out of this tight squeeze

He bought a flat with parents; now withdrawing or selling it isn't an option

I refer to the letter, "Why a need for new loan", by Mr Leong Sze Hian (Dec 5).

I agree with his comments on the withdrawal of fractional ownership of a Housing Board flat.

I purchased a four-room flat in Sembawang with my parents years ago, when I was a bachelor.

Now, as a father of two, I'm facing the problem he described. I'm still stuck in the small four-room flat with my parents, spouse, two daughters and a maid.

While I was preparing for my wedding, I was given two options by the HDB:

Option 1: My parents pay me back the amount that I had paid for the flat through my Central Provident Fund account. Only then would I be allowed to buy a new flat with a Government subsidy.

How can my retired parents afford to pay me when they have no savings and no CPF funds? They are not eligible to refinance the loan. Why does HDB insist that my parents pay when they are, after all, my parents?

Option 2: Sell the flat so that I can purchase a new one with my spouse. But my parents would not be allowed to buy a flat or rent one from the HDB within a two-year time frame.

The bottom-line is we wish to have a family of our own and to live near our parents. But with such restrictions, there is no way a young couple like us can set up a home of our own.

The Government is encouraging couples to have more babies.

I would appreciate it is the authorities could look into this issue to help couples who face the same situation, even if it is just on a case-by case basis.

TODAY, Thursday, 21 December 2006

Reply by Chang Long Kiat

Director (Housing and Healthcare)

Central Provident Fund (CPF) Board

Foo-Ho Yoke Ming

Deputy Director (Branch Operations)

For Director (Housing Administration)

Housing & Development Board (HDB)

Why the new loan is needed

Review is the norm when new owners take over

We refer to the letters, “Why a need for new loan?” by Mr Leong Sze Hian (Dec 5), “No way out without taking out a new loan on shared flat” by Mdm Kang Lay Beng (Dec 6), and “No way out of this tight squeeze” by Mr Wong Hon Kong (Dec 11).

The cases mentioned above involve a change in property ownership. As new owners are involved, the lender will review its loan to the new owners since the credit profile may have changed. In such situations, the lender (whether HDB or a bank) has to discharge the old loan and treat the new owners as taking a new loan. This is the norm regardless of whether the subject property is a HDB flat or private property.

When a CPF member no longer owns the property, he has to return the CPF money used to purchase the property with accrued interest to his CPF account. This is to ensure that his CPF savings are preserved for his own retirement and housing needs. In situations where more time is needed to discharge the loan and refund the CPF monies, the HDB will review and assist each case according to its merits.

If the change in ownership involves an HDB flat that was being financed with an HDB loan, the remaining owners can be considered for another HDB loan, subject to credit assessment and meeting the criteria for an HDB loan, for example, non-ownership of private property and income ceiling. Credit assessment is necessary to ensure that the remaining owners have the means to service their loan instalments. The remaining owners also have to meet the eligibility criteria for taking an HDB loan, to ensure that the HDB’s interest rate subsidy is given only to those who need it.

Mr Wong mentioned he would like to move out of the current four-room flat that he shares with his parents as he finds it too small. HDB understands that there is a substantial outstanding loan amount on his current flat. If M Wong were to withdraw his name from the current flat, his parents would not be able to service the loan instalments by themselves as they are no longer working. A better solution may be for the household to upgrade to a larger flat together, where they will qualify for another HDB concessionary loan as upgraders.

Mdm Kang wanted to move her husband’s name as co-owner of her flat, but was told that she would have to take a bank loan after discharging her current HDB loan. We would like to explain that she is not eligible for an HDB loan as our records show that she is a private property owner.

We would like to thank the writers for their feedback. They can call the HDB at 1800-225-5432, should they need further advice on the options available to them.

TODAY, Weekend, 3~4 February 2007

Article by Chow Penn Nee

Home loans pegged to board rates are gaining ground in Singapore

Calls from consumers demanding more transparent home loans are being heeded. Maybank introduced a single board rate for both existing and new home loan customers.

Its single board rate of 3.75 per cent is pegged to an external board rate, in this case the Interbank Offered Rate (Sibor) – the interest rate that banks pay to borrow from other banks.

This comes after DBS' earlier launch of home loans pegged to publicly available rates such as CPF and Sibor.

"The introduction of a single board rate offers our home loan customers full transparency and consistency in any future interest rate changes," said Ms Helen Neo, head of consumer banking at Maybank here.

Notification letters will be sent to existing home loan customers in April, and the single board rate and interest rate reduction will take effect one month later.

Pegging home loan rates to external sources is one of the many initiatives explored by banks to improve transparency on mortgage rate fluctuations, following recent discussions between the banks and the Monetary Authority of Singapore (MAS).

Banks' internal multiple board rates have sparked off controversy, with many disgruntled customers complaining about how the rates spiral up at the lender's discretion, often in no correlation to the market trends.

Home-buyers can also expect more disclosure about how rates are pegged, such as explanations in the banks' letters of offer to the consumers. Education booklets detailing how rates move with the banks' cost of funding might also be distributed to customers.

However, Society of Financial Service Professionals Leong Sze Hian wants more transparency. For instance, a bank should tell consumers what other board rates are available within the bank.

"Banks have to say what is being offered to other customers so that we can compare between a bank's existing customers and new customers, to know if there is any discrimination," he said.

TODAY, Friday, 23 February 2007

Article by Tan Hui Leng

Once unwanted, some HDB flats get a new lease on shelf life

These flats are used to rejection.

Balloting did not find them a buyer, nor did walk-in selections. Some of these 250 five-room and executive flats in supposedly "unfavourable" locations have been sitting vacant for 10 years.

Yesterday, they suddenly became hot property.

Not only was the Housing and Development Board (HDB) test-driving a new system of selling these units, it was also offering them as resale flats, making them available to a wider pool of buyers. In a matter of hours, the calls from interested buyers started pouring in.

In a novel scheme, the HDB is selling these units in Jurong West, Bukit Merah, Sengkang, Geylang and other areas through housing agents. The flats are at least five years old and the agents will take a commission only from the HDB, not the buyers.

Four agents were appointed yesterday morning by the HDB and within hours their phones were ringing. This is because, as resale flats, these units can be snapped up by higher-income households, Permanent Residents, singles who meet eligibility criteria and those who have already bought subsidised flats twice from the HDB.

"The number of calls is overwhelming," said Mr Tony Ng, senior division director of CTI Realty, whose firm has been allocated 20 units in Sengkang. "The majority of them are from PR families, many of them non-Chinese."

Within hours of the appointment, his firm had received more than 50 calls about the executive units, whose prices range between $308,000 and $320,000.

At another appointed agency, Elix Realty, senior group marketing director Mr Koh Hock Seng said its hotline has been ringing "off the hook" since the news was announced.

His company was allocated 20 executive units in a block at Jurong West.

Although the flats may now be purchased by PRs, the units are still subjects to the Ethnic Integration Policy, said the HDB. The five-room flats in Sengkang, Bukit Merah and Geylang are thus only available to non-Chinese buyers.

Associate sales director of Bernard Valuers & Real Estate Consultants, Mr Johnne Tan, told TODAY that the 11 units' five-room flats his company was allocated in Cantonment Close would be hard to sell as only Malay buyers are eligible to snap them up.

The company received more than 60 calls yesterday, inquiring about the Cantonment flats as well as another nine units in Cassia Crescent.

But the calls will not automatically translate into sales. “These flats have gone through Walk-in Selection and balloting, so I guess that location wise, they are not that good if they’re still unsold,” said Elix Realty’s Mr Koh.

But the initial response will still hearten the four companies that were picked by the HDB in the face of stiff competition from big players such as ERA Realty Network and PropNex. TODAY understands that some of them offered to charge HDB commissions well below the market rate of 2 per cent.

“Some of them really put in very, very low bids … It doesn’t make business sense,” said ERA Singapore vice-president Eugene Lim.

Would-be buyers are not complaining.

TODAY, Tuesday, 27 February 2007

Letter by Leong Sze Hian

HDB resale woes

I refer to the article, “Once unwanted, some HDB flats get a new lease on shelf life” (Feb 23).

A close friend who has been paying his HDB mortgage repayments intermittently over the last two years because of financial difficulties has received a letter from the HDB offering him the following three options:

1. Pay the resale levy of $50,000 and buy another subsidised flat from HDB. A subsidised two-room flat is about $58,000, resulting in a new housing loan of $105,100 (95 per cent of $58,000 for the new flat plus $50,000 resale levy).

2. Waive the 30-month debarment period following the sale of his current flat, so that he can proceed to rent a subsidised two-room flat from HDB. Buy a resale flat later when his family’s finances have improved.

3. HDB is prepared to consider his request for another concessionary loan if he is unable to secure a bank loan to buy a smaller two-room resale flat, with a lower 5 per cent down payment subject to special approval.

When he booked his current flat which was completed in February 2000, the purchase price paid to HDB was $416,400. The current valuation is only $338,000.

His current outstanding HDB loan is $335,000. He has been trying to sell his flat for $336,000, but to no avail. His neighbouring flat, which has been vacant for six years since it was built, is now being offered for sale at only $273,200 by HDB.

Since the HDB sold him the flat in 2000 for $416,400, and his neighbouring flat is now being offered for sale at only $273,200 by HDB, how can the HSB justify charging him a resale levy of $50,000 for the original "subsidy" purchase price given?

Shortly after being offered the rental flat option, the HDB announced a change in policy for its rental flats. Under the new "2nd timer applicant – ever owned a HDB flat" policy, the two-room rental for him has gone up from $123-165 to $205-275.

His flat is in one of the estates which the HDB has just announced that 250 flats are being offered for sale through four housing agencies. If the HDB can change its own policy to sell new flats as resale flats in order to widen the pool of eligible buyers, at prices which are about 30 per cent less than the original price a few years ago, why can't the HDB waive the $50,000 resale levy, and allow him to buy a subsidised tow-room flat from HDB with a concessionary loan?

How many Singaporeans are in a similar predicament like my friend?

TODAY, Tuesday, 27 February 2007

Related Letter by Lim Wee Teck

Lift ethnic quota for unsold flats

The professionals – the housing agents – have now been tasked to sell some of the old and unsold HDB flats, which remain on the market despite repeated attempts via balloting or Walk-in-Selection to sell them.

After being unsuccessful in both the balloting and walk-in-selection, I thought I would be third time lucky here.

I wanted to get a flat near my parents, which is in the choice central areas. As demand usually exceeds supply in this area, it is quite difficult to get one. Even with the latest exercise, the old and unsold flats in the choice central areas are limited to non-Chinese due to the Ethnic Integration Policy.

The need for social cohesion is understandable but with 80 per cent of the population living in HDB, the chance for social integration is already quite strong. Without any intricate policy, social integration may happen naturally. Despite the attempts by HDB to sell these flats, it must be due to pure basic demand and supply dynamics that the non-Chinese don't want them. I like to think that the agents won't be able to do a better job than the HDB.

Rather than to let these flats go empty for many years to come, why doesn't HDB relax the rules, make it a special exception and allow such few flats to be balloted?

TODAY, Tuesday, 6 March 2007

Reply by Leong Chok Keh

Deputy Director (Policy & Property)

For Director (Estate Administration & Property),

Housing & Development Board

On HDB resale woes

I refer to the letter by Mr Leong Sze Hian on "HDB Resale Woes" (Feb 27).

Mr Leong asks why his friend has to pay a resale levy, even though he will suffer a loss if he sells his first flat.

We wish to explain that the resale levy is payable only if he chooses to buy another subsidised flat from HDB. It is imposed to reduce the subsidy on the second subsidised flat. Those who sell their first subsidised flat and buy a resale HDB flat (or private property) do not need to pay the levy. His friend may wish to consider this option.

TODAY, Tuesday, 6 March 2007

Reply by Leong Chok Keh

Deputy Director (Policy & Property)

For Director (Estate Administration & Property),

Housing & Development Board

HDB ethnic quota is crucial for harmony

I refer to the letter by Mr Lim Wee Teck, "Lift ethnic quota for unsold flats" (Feb 27).

Racial harmony is crucial for social cohesion in multi-racial Singapore. As the vast majority of Singaporeans live in public housing, the Ethnic Integration Policy (EIP) was introduced in 1989 to achieve a balanced ethnic mix in HSB estates and prevent the formation of ethnic enclaves.

By providing HDB residents of different races with more opportunities to interact as neighbours, the EIP fosters understanding between the various ethnic groups, and strengthens social cohesion in Singapore.

We cannot take racial harmony for granted. We cannot assume that social integration would occur naturally as suggested by the writer. The experience in other countries has shown how inter-ethnic tensions can arise if social integration is left to chance.

The EIP continues to play an important role in the safeguarding racial harmony in HDB estates. The policy is applied evenly in the sale of new HDB flats as well as transactions between buyers and sellers for resale HDB flats. The unsold HDB flats launched under open market sale are also subject to the EIP, as they are treated as resale HDB flats.

TODAY, Wednesday, 28 January 2009

Letter by Leong Sze Hian

Why not help protect that roof over their heads?

I would like to applaud the Government for what is arguably Singapore's best Budget ever, with very comprehensive measures across the board, to help Singaporeans and businesses in this recession.

Perhaps, the greatest concern of Singaporeans is to have a roof over their heads. As of October, about 8 per cent of HDB concessionary loan mortgages were in arrears over three months.

Furthermore, with the forecast that as many as 300,000 jobs may be lost, the number of HDB flat owners in arrears may rise.

I would like to suggest that the Government consider giving the assurance that during this recession, say for 2009 and 2010, anyone who cannot pay for his HDB flat, will not be subject to compulsory acquisition by the HDB, nor be compelled to liquidate in the open market.

Healthcare

Today, Thursday, 17 October 2002

Letter by Leong Sze Hian

A double-edged sword?

I refer to the debate on health care costs.

I understand that when a patient is asked to undergo medical tests, the provider of the tests may be paying referral fees to the referrer.

Would such a practice be an incentive to suggest more tests in terms of quantity and complexity? This may lead to higher medical costs.

There is the danger that doctors may select a provider based on the best referral fee, rather than what is best for the patient.

If the Financial Advisers Act requires advisors to inform their clients about the quantum of their referral fees, shouldn't the same principle apply to the health care industry?

TODAY, Weekend, 28~29 February 2004

Letter by Benjamin Gan

Let's not be prejudiced against the rich

I refer to the letter, "The rich are also cost-conscious" by Mr Michael Loh Yik Min (TODAY, Feb 27).

I agree with Mr Loh's comments that the rich have every right to turn to government hospitals for treatment.

However, I would like to add that government policies, including healthcare, should not be discriminatory.

The fact that the rich are opting for B2 and C wards speaks volumes about the cost of healthcare in Singapore.

Secondly, we should not treat the rich as if they are the bane of society and make them carry an even greater burden; they are paying a higher tax rate as it is.

If we continue with this “tall grass” syndrome, where the rich are prejudiced against, we may end up with a society that thinks that getting rich is a sin and should be avoided at all costs.

The rich have their place in society: They contribute the bulk of the taxes and some of them are great philanthropists.

Let’s not chase away the goose that lays the golden egg.

TODAY, Monday, 25 April 2005

Article by Ansley Ng

MediShield beyond the age of 80?

Khaw also mulls raising Medisave ceilings for higher-income group

The Government will look at raising the maximum age of MediShield coverage beyond 80 years, Minister of Health Khaw Boon Wan said. “Should we cover beyond 80? I think the simple answer should be ‘Yes’,” he told reporters at a community event at the Yio Chu Kang Community Club.

The coverage age was last raised from 75 to 80 three years ago. This time, the minister mused: “Will it be 80 to 82, or 80 to 85? If so, how much will be the premium?”

He would turn his attention to the details of rising the coverage age in July, when the MediShield reforms are complete, he said.

From July 1, Singaporeans will be able to choose from a wider and competitively, priced range of medical insurance schemes, when private insurers integrate their enhancement plans with the reformed MediShield – a catastrophic illness insurance scheme – into one product.

Mr Khaw is also considering allowing Singaporeans above 80 years of age use Medisave to pay for private insurance.

Turning to healthcare affordability for the higher income group – those earning above $6,000 – he noted that these people might feel left out as means-testing ensures many subsidies apply only to B2 and C class wards.

To help richer Singaporeans who tend to go for Class A wards, he suggested allowing higher Medisave contribution and withdrawal ceilings.

Mr Khaw said MediShield was designed with the B2 and C class wards in mind, so capping the Medisave contribution ceiling at $30,000 might mean that they would not have sufficient savings if they opted to stay in A-class wards.

The minister also said he was "encouraged" by the just-released results of the National Health Survey 2004, which showed that Singaporeans are generally healthier.

Fewer Singaporeans have diabetes, high blood pressure and high cholesterol levels, while more are exercising, showed the survey of about 4,000 adults aged between 18 and 69. The sharpest drop was in those with high blood cholesterol – about 25 per cent of those surveyed had that condition in 1998, while only 17 per cent did last year.

"The results were very significant," Mr Khaw said. "In most developed cities, conditions like diabetes and high blood pressure continue to deteriorate, Singaporeans exercised regularly, now, it is one out of four.

"Let's work hard, let's make it one in three," Mr Khaw said. He praised the efforts of the Health Promotion Board, as he noted Singaporeans are becoming more aware of the importance of staying healthy.

TODAY, Wednesday, 27 April 2005

Letter by Leong Sze Hian

Those opting for A class wards are not the govt's problem

I refer to the article "MediShield beyond the age of 80?" (April 25). Higher income earners may have their Medisave contribution ceiling, currently $30,000, raised in a year's time.

The reason given was that MediShield was designed with the B2 and C class wards in mind, so for higher income earners, capping the Medisave contribution ceiling might mean they would not have sufficient savings if they opt to stay at A-clss wards.

This is contradictory to the recent policy change of farming out the MediShield-Plus schemes to a private insurer. On one hand, we say we want to give those who can afford it the choice of a wider and competitively-priced range of medical insurance schemes from private insurers. On the other hand, we are now told we have no choice but to have more Medisave for MediShield's design limitations?

If the higher-income earners choose a higher class of wards, it is because they prefer to do so and believe they can afford it. So, why is there the need to lock up more of their disposable cash-flow and assets in Medisave?

The more one's assets are locked up in Medisave, the less will be available for other uses such as retirement and health-related expenses. The restrictions on the use of Medisave limit the choice of many health related services available, such as out-patient, health screening, etc. This may mean more cash out-of-pocket medical expenses.

Increasing the Medisave contribution and withdrawal ceilings may have the undesirable effects of encouraging one to opt for higher class wards, because some may feel that one might as well use it since it cannot be used for anything else.

Perhaps, healthcare policies should focus on the lower-income, such as not closing the night services at polyclinics, instead of forcing the higher-income to contribute more.

After all, if the higher income groups do not have enough when they opt for higher class wards, it should not be the Government's problem.

TODAY, Wednesday, 4 May 2005

Reply by Karen Tan

Director, Corporate Communications

Ministry of Health

Medisave for A-class wards not ruled out

But resources prioritised towards basic medical services that include Medifund for the needy

In "Those opting for A-class wards are not the Government's problem" (April 27). Mr Leong Sze Hian argued that "healthcare policies should focus on the lower income" group. We agree.

This is why our resources are prioritised towards basic medical services, including the provision of Medifund as a safety net for the poor. It is also for this reason we are considering means-testing to better target healthcare subsidies to those who need them the most.

As for higher-income earners, Mr Leong is of the view that these earners opt for higher-class wards because "they can afford it" and that this should not be the Government's problem.

This is a valid view. Seen from this perspective, we should simply continue with the status quo. However, some anecdotal feedback suggests there are people in the middle and higher income group who feel differently about this issue. They would like some refinements to Medisave rules, to allow them to help pay for the higher cost of hospitalisation in private and Class A/B1 wards.

We are approaching this issue with an open mind and do not rule out any options, including the possibility of doing nothing, until we have analysed the data.

Meanwhile, we welcome all feedback to moh_info@moh.gov.sg

TODAY, Monday, 3 October 2005

Letter by Leong Sze Hian

Why the rush to punish SAVH?

I refer to your report, "Funding tap for SAVH turned off' (Oct 1-2).

It has been said that all seven programmes run by the charity for the blind didn't meet minimum standards. What are these "minimum standards"? When were they formulated, by whom and have they been applied to all other charities?

As to one reason given, that some trainers were not suitably qualified to teach vocational skills (such as massage and foot reflexology) and lack of a proper training curriculum and certification – are the hundreds of retail outlets and people offering massage and reflexology for as little as $10 certified or trained by qualified trainers?

Are we applying standards to the blind that are not applied to the sighted people who provide such services?

As to financial assistance to the needy being administered in a systematic way – such as by having a social worker assigned to each case to assess needs or follow-up with regular visits – even as a layman, I feel that consideration should be given to the fact that this would require additional money and trained staff. Was the funding given to SAVH sufficient to do all this?

How many other voluntary welfare organisations helping the needy might also deemed "unsystematic"?

The SAVH may have some shortcomings, but it should be noted that it runs other programmes – such as counselling, a low-vision clinic, vision rehabilitation services, and transcribing materials into Braille – and presumably runs them well since there has been no specific criticism in these areas.

As of last Thursday, details of the Commissioner of Charities' probe into the association's financial and governing practices were not available. Why the rush to start punishing the SAVH? Why can't help beg given without insisting that the SAVH handover "executive powers"?

The SAVH may not be very efficient, but has anyone else been able to do a better job for the blind?

In the spirit of transparency in corporate governance, let the blind in Singapore know the full details when they become available and let them decide the SAVH's fate, instead of railroading measures that may end the 54-year effort by the blind to help themselves.

TODAY, Wednesday, 21 December 2005

Letter by Leong Sze Hian

Uncovering the truth

Why were early 'red flags' and questions ignored?

I refer to the KPMG report on the National Kidney Foundation (NKF).

On Dec 31, 2001, the National Council of Social Service (NCSS) revoked the NKF's Institution of Public Character (IPC) status, which would discourage the NKF's fundraising ability to collect tax-exempt donations.

But within less than a month, in January 2002, the Ministry of Health (MOH) separately restored the NKF's IPC status, administered by the MOH Endowment Fund, despite the NCSS having informed the Ministry of its observations of the NKF.

Why was the above not disclosed, such that it was never reported in the media? Should not the termination of IPC status of Singapore's largest charity have been a matter of grave interest and concern to the public?

Later, MOH even asked the NKF to raise funds for non-kidney related causes such as cancer, sending the NKF fundraising machinery into overdrive. All these "red flags" about the NKF were kept away from the public eye.

But in the public domain and media, newspaper letters were already asking various questions about the NKF as far back as about three years ago – such as how donations were spent, how much the top three executives in the organisation were paid, and details about the lucky draws.

As these issues were periodically raised over the years, why was nothing done? Did no one care enough?

Even those who were not privy then to information – and only know now via the KPMG report – surely must have read the forum pages.

The NKF's press release states that "While some bodies have the power to initiate an investigation into the management of a charity, none did so in the case of the NKF, in the absence of formal complaint".

If termination of the IPC status is deemed to be "in the absence of formal complaint", then what may I ask would qualify as a "formal complaint"? Writing to the authorities directly, instead of to newspaper pages? Had Mr T T Durai and the NKF not sued Singapore Press Holdings and Ms Susan Long for defamation, these issues may never have come to light, and the state of affairs at the NKF may just have gone on forever.

TODAY, Wednesday, 21 December 2005

Letter by Timothy Liu

Lessons in transparency, how public must speak out

Kudos to KPMG for coming up with a bare-all-tell-all report.

Will the authorities concerned accept that they have been guilty of lapses, and now show the will to right the wrong and restore public confidence?

Years ago, a public prosecutor was charged, inter alia, for buying a Hyundai car with a staff loan applied to buy BMW.

In the light of the many irregularities unravelled in the report, surely the investigators will be spoilt for charges to prefer?

The public, too, should have the courage to believe that, in the aftermath of this NKF fiasco, better governance and account ability will be put in place, and so resume their donations – even if some will want to wait and see what action follows.

The NKF episode holds lessons for many: Transparency and accountability is a must for charitable organisations and power can never be concentrated in one person, including in the guise of committee.

Rules of governance must be in place, updated regularly and practised religiously.

Surprise audits will have to be performed by the Commissioner for Charities and the Inland Revenue Authority of Singapore, and enforcement action should be taken where appropriate.

The name or standing of the patron should not matter.

For those who wish to lend their names as patrons, if it is not only about being seen at gala shows, shaking hands and handing out hongbaos. Although he is seldom a part of the executive, the patron should know enough of what is going on.

Finally, the general public will now learn that you don't need to look for a whistle to blow if you come across a wrong or an injustice.

Talk to your Member of Parliament, write to the press, and make it known at the coffee shops.

I am sure public disquiet will never again be dismissed by the authorities.

TODAY, Monday, 24 July 2006

Letter by Dr Kwa Chong Teck

Executive Director, National Dental Centre

Patients in pain get seen to more quickly

I refer to the letter, "A painful wait" (July 21) from Ms Maggie Chua, in which she recounted her son's experience in seeking dental treatment.

Patients who are in pain can simply walk in to seek treatment at the National Dental Centre without an appointment.

There is inevitably a short wait in these instances. Patients who do not want to wait are given appointments on the earliest available date.

I assure Ms Chua and other readers that our priority is to provide appropriate and quality dental care for all Singaporeans.

Ms Chua's son was referred to us for the management of decayed teeth.

On his first visit on July 19 last year, he did not exhibit symptoms of pain or infection and Ms Chua was given several treatment options to consider.

Subsequently, she telephoned for another appointment and on Aug 8 last year, decided to have her son's decayed teeth treated under general anaesthetic.

As the child was still asymptomatic, he was given an appointment to have the treatment carried out on March 2 this year.

The attending paediatric dentist explained to Ms Chua that patients' appointments are moved forward based on changes in the patient's dental condition or as appointment slots open up.

Ms Chua was also advised to return to the centre if her son developed any other symptoms or experienced any pain. He did not return to the centre for any treatment after his visit in August.

We have contacted Ms Chua to address her concerns and clarify the matter.

Whilst the National Dentist Centre is unable to provide an "on demand" service for every patient, we do make every effort to do so for all our patients who are in pain.

TODAY, Weekend, 22~23 July 2006

Letter by Karen Tan

Director, Corporate Communications

Ministry of Health

Dental patients do have choices

In his letter, "The dentist is swamped" (July 19), Mr Goh Kian Huat commented on the long wait for dental appointment at polyclinics and asked if overworked dentists compromise quality of care.

Our dental services at polyclinics are heavily subsidised as a safety net to ensure that our dental services remain accessible and affordable to the needy. The subsidies mean that there are inevitably a large number of patients wanting to use our services. Nevertheless, dental care will not be compromised.

Patients who need urgent or emergency treatment are attended to as soon as possible. The others are placed on a first-come-first-served waiting list. Basic dental treatment, routine check-ups, scaling, and polishing are non-urgent cases. Although appointments may be in three to six months' time, the waiting time is still well within acceptable standards of dental care.

Unlike private dental clinics, the public sector is not able to provide on-demand service.

Overall, however, there is no shortage of dentists in Singapore. Our dentist-population ratio of 1:2,500 is comparable or better than some of the developed countries like Australia, New Zealand and the United Kingdom. The bulk of these are in the private sector as the heavily subsidised public clinics are intended to focus on those who have financial difficulty.

For people who desire faster service for basic treatment and routine scaling and polishing, they have the choice of seeing a private dentist.

MOH will continue to promote greater transparency for common dental procedures so that patients are more informed about the choices they have or where they can get dental treatment.

TODAY, Wednesday, 2 August 2006

Letter by Leong Sze Hian

More dentists for polyclinics?

Of the 3.9m polyclinic, attendance per year, how many are for dental services?

I refer to the National Dentist Centre's (NDC) reply, "Patients in pain get seen to more quickly" (July 24) and the Ministry of Health's (MOH) reply, "Dental patients do have choices" (July 22).

The former states that "patients who are in pain can simply walk in to seek treatment at the NDC without an appointment".

It fails to mention that those who go directly to the NDC without an appointment because they are in pain do not get the subsidised rates, and will have to pay private consultation rates.

According to the NDC's website, you will be accorded private paying status when you are self-referred or if you walk in without any prior referral. To qualify for subsidised rates, you need to be referred and must already be receiving subsidised treatment from the following polyclinics, restructured and government hospitals, the Ministry of Defence and the School Dental Service.

The minimum charges for first time private rate patients range between $67 and $87 (before GST).

The MOH's reply states that "although appointments may be in three to six months' time, the waiting time is still well within acceptable standards of dental care".

I would like to ask whose "acceptable standards of dental care" are upheld. Are they the MOH's acceptable standards or the Singapore Dental Association's (SDA)?

According to the SDA's Guideline of Fees, payment for a normal consultant is $45. More complicated treatments cost $470 upwards.

In contrast, dental polyclinics' charges for a normal consultation range from $12 to $20.50 for adult Singapore citizens, and from $6 to $10.50 for children and the elderly.

Of the 3.9 million polyclinic attendance in a year, how many are for dental services?

If the 113,646 households with no working persons have an average of four family members, each visiting the dental polyclinic once a year, there would be a total of 880,120 dental polyclinic attendances per year.

I understand that out of 18 polyclinics in Singapore, only 10 offer dental services. Since "there is no shortage of dentists in Singapore with our dentist-population ratio of 1:2,500 being comparable or better than some of the developed countries", why are we not employing more dentists in the public sector polyclinics?

TODAY, Weekend, 12~13 August 2006

Reply by Karen Tan

Director, Corporate Communications

Ministry of Health

1 in 4 S'pore dentists works in public sectors

Polyclinics provide good, affordable dental care to all

In "More dentists for polyclinics" (Aug 2), Mr Leong Sze Hian suggested that the public sector should employ more dentists so as to reduce waiting time.

Singapore is well served by dentists. Currently, there is one dentist for every 2,500 Singaporeans. Among the 1,355 dentists here, almost one in four works in the public sector.

Dentists in the public sector serve in hospitals and polyclinics to provide good and affordable dental care to lower-income Singaporeans. Out of the 18 polyclinics, 10 provide dental services.

Last year, they served about 100,000 dental patients.

In addition, under the Primary Care Partnership scheme, needy Singaporeans can seek treatment at participating private dental clinics at subsidised polyclinic rates. More than 200 private dental clinics participate in this Scheme.

Dental care requires regular visits to dentists. In dentistry, waiting time for such routine dental care of three to six months as experienced in polyclinics is well within international practices. Emergency dental care at subsidised rate is readily available at the hospitals and polyclinics to patients who require it.

We emphasise prevention in the public dental sector. Thus, we provide free dental health care at schools, to inculcate in young Singaporeans the habit of good oral health. Much dental problems of adults are preventable if sound oral health hygiene learnt in schools continues.

Mr Leong noted that walk-in patients to the National Dental Care (NDC) are not subsidised. This is because the NDC is a tertiary referral centre.

Its walk-in charges for non-emergency cases are set to ensure that subsidised tertiary dental services are optimally used.

TODAY, Tuesday, 29 August 2006

Article by Sheralyn Tay

A shot in the arm for diabetics

New scheme makes payment easier and could create database to learn from

In just over a month from now, diabetics will be able to dip into their Medisave fund – to the tune of $300 a year – for outpatient treatment.

The new scheme, whose details were announced yesterday, signals a change in Singapore's approach to chronic illnesses, and by January next year it will be extended to cover hypertension, stroke and lipid disorders such as high cholesterol.

With it will come a Web-based system through which doctors across Singapore will be able to certify that they are treating a patient for a chronic illness. Not only will this make the process of submitting Medisave claims pain-free, it will also create a database from which much can be learned about treating chronic patients.

About one million Singaporeans suffer from one of the four chronic diseases but often do nothing "until the big problems crop up", said Health Minister Khaw Boon Wan yesterday. After that, they flood hospitals and account for a big chunk of the medical institutions' load.

"It is very traumatic for patients and often we cannot get 100-per-cent recovery," said Mr Jhaw. A much better approach would be to manage the disease before it got out of hand. The Government is now encouraging this approach, but it requires the tweaking of the Medisave system, which was really designed for in-patient treatment.

Care had to be taken to make sure that Medisave was not depleted prematurely.

A withdrawal limit of $300 a year has been set for each Medisave account. For diabetes, the programme will be launched on Oct 1, while the three other diseases will be covered from Jan 1. The withdrawal limit could be reviewed, hand in hand with inflation, said Mr Khaw.

Meanwhile, a general practitioner who was present when the scheme was announced said that for the objectives to be achieved, patients should be tested more regularly.

"Some people will get angry because they are supposed to be saving money, but they may think they are spending more," said Dr Tammy Chan. "But in the long run, if you lower your blood sugar by even one percentage point, you will see a lot of improvement.

"There will be much less dialysis patients, less coronary events. This is something meaningful."

The online system for Medisave submissions could have unexpected benefits, pointed out M Khaw. When the doctor filled out the form to certify he was treating a patient for diabetes, for example, he would also need to record the patient's blood sugar levels.

Mused Mr Khaw: "Over a 12-month or six-month period, I can compile, doctor by doctor, the number of patients they handle and the percentage of patients who improve on blood sugar, who stay put or get worse, as well as the cost to the programme. And I can publish it in a simple paper."

This could improve the quality of healthcare as others could learn from doctors or clinics that were doing particularly well. "We need to be able to share their experience with the medical community so everybody learns and everybody improves," said M Khaw.

The data will be made available through the Ministry of Health's website.

Welcoming the scheme is recently-diagnosed diabetic Madam Sarminah Rasman, 50, who also suffers from high blood pressure and high cholesterol. "It helps, not just a little, but a lot. I have a lot in my Medisave account but not even one cent is touched at the moment," she said.

She pays about $250 for each bi-monthly visit for all her chronic conditions. Even though the withdrawal amount is capped at $300 yearly, Mdm Sarminah is still happy about the move. "It is something that we appreciate very much," she said.

TODAY, Wednesday, 30 August 2006

Letter by Leong Sze Hian

Why charge admin fee on Medisave use?

This and other questions on healthcare, hospital bills?

I refer to the article, "A shot in the arm for diabetics" (Aug 29).

Medisave will be extended to coveer the general practitioner bills of those with chronic illnesses. Those sugaring from diabetes, high blood pressure, high cholesterol and stroke will be able to use Medisave, "bringing the total number of people allowed to dip into their Medisave to one million".

With the resident population at 3.6 million, does it mean that 28 per cent of the population has diabetes, high blood pressure, high cholesterol or stroke?

If we include other illnesses, how many unhealthy Singaporeans are there?

This statistic is quite alarming, and I would like to suggest that the Health Promotion Board step up its efforts to help Singaporeans to stay healthy.

The report notes that a patient will have to pay $30 out of his pocket for each visit, plus 15 per cent of the rest of the bill. So, if the medical fee is $80, the amount that can be deducted from Medisave is $42.50.

Also, each transaction has an administrative fee of $3.05. In the above example, it works out to 7.2 per cent of the amount deducted from Medisave – more than the interest the Central Provident Fund (CPF) pays out on the Ordinary (2.5 per cent) and Special accounts (4 per cent).

In short, some Singaporeans may pay more to CPF by way of the Medisave administrative fee than the CPF interest they earn.

How much do the CPF Board collect in a year from Medisave administrative fees now, and how much more will it collect when Medisave is extended to outpatient treatment for people with diabetes, high blood pressure, high cholesterol and stroke?

Also, why do we have to pay a fee to CPF to use our own Medisave funds?

The article "Healthcare reports: Health Ministry publishes data on affordability" (Aug 24) says that most people are able to pay health costs using Medisave and that the data "assures Singaporeans that health care here has remained affordable".

Do the hospital bills statistics include pre-hospitalisation consultation, diagnostic tests, in-hospital doctors' visits, post-hospitalisation treatment and medicines?

I understand that the trend has been to discharge patients earlier from hospital. This may have contributed to the declining share of hospitalisation costs in total costs.

Also, why not consider waiving the goods and services tax on healthcare bills?

A healthcare focus group of five Members of Parliament has been formed to examine the current healthcare system ("MPs focus on health", Aug 15).

Perhaps it could look into some of the above issues?

TODAY, Wednesday, 6 September 2006

Reply by Karen Tan

Director, Corporate Communications

Ministry of Health

Medisave fee was levied from the start

Mr Leong Sze Hian asked "Why charge admin fee for Medisave use?" (Aug 30).

As with all billings, credit card or banking transactions, it costs money to process each Medisasve transaction. The Central Provident Fund Board (CPFB) has recovered such cost through an administrative fee ever since Medisave was introduced in 1984. This is levied on all institutions which may choose to absorb them as part of their running costs. If they are charged out immediately to patients, the CPFB requires that it be itemised clearly in the bill.

This will similarly apply to the new Medisave for chronic diseases scheme.

Mr Leong expressed "alarm" at the numbers of Singaporeans who suffer from the four major chronic diseases. Actually, our numbers are not particularly alarming. Our incidence rate for diabetes, for example, is similar to that in the US.

But we should continue to work with Singaporeans to bring the rate down through active health programmes.

That is why it is so important for all Singaporeans to adopt a healthy lifestyle: Eat well, exercise regularly, and avoid being overweight and do not smoke.

Mr Leong also asked that the Government waive the GST for medical bills. Public hospitals are already absorbing this cost for subsidised patients; they do not pay GST on their hospital bills.

TODAY, Weekend, 9~10 December 2006

Letter by Leong Sze Hian

Higher medical costs will rebound on citizens

Who will pay for the higher medical costs of the 160,000 foreign domestic helpers? Singaporean employers.

Who will pay for the 420,000 low-skilled non-domestic foreign workers? Singaporean employers, including many small businesses that may just pass on the higher costs to consumers – again, Singaporeans.

The 65,000 highly-skilled employment pass holders and the 25,000 mid-skilled workers holding S-Passes are generally on more generous employment contracts, which typically include perks such as paying for the medical costs of the employees and their family. Therefore, any increase may drive up business costs, which may also be passed on to customers.

About 30 per cent of Singaporeans men married foreigners and permanent residents (PRs) last year. Who will pay for the medical cost of their spouses and relatives? Of course, Singaporeans.

Perhaps for foreign entrepreneurs and foreign students will also bear the brunt of the increase. There has been much debate about the problems of parents accompanying young foreign students here and the situation of the older students. The increase may add to their financial burden, which may have even greater social implications as they strive to earn more income here.

By increasing the costs of living and doing business, it may become harder to attract foreign investment and talent. At the end of the day, who may suffer? Singaporeans.

By the way, polyclinic charges foreigners have already been increased from Jan 1 this year, when consultation and prescription subsidies were withdrawn for the foreigners and a 50-per-cent cut was implemented for PRs.

TODAY, Monday, 11 December 2006

HOW MUCH WILL YOU PAY?

Article by Jasmine Yin

Cuts, costs and citizens

Healthcare subsidies to change, employer worry about effects

The moves towards redefining Singapore's three-tiered scale of citizenry took its first step yesterday, with Health Ministry announcing key changes in healthcare subsidies.

From October next year, non-citizens will have to pay more when seeking treatment at restructured hospitals and national centres.

Currently, Singapore citizens, Permanent Residents (PRs) and foreign workers receive the same subsidies – ranging from 20 to 80 per cent – at these institutions.

The Government will now cut subsidies for Permanent Residents by 10 percentage points over two years, while healthcare subsidies will be taken away entirely for other foreigners, including foreign workers.

Once in place, this will free up about $36 million a year, which will be ploughed back for citizens' use such as in elderly care, said Minister for Health Khaw Boon Wan, speaking at the side-lines of a community event yesterday. The removal of subsidies for foreigners, excluding PRs will contribute about $30 million.

Said Mr Khaw: "Many years ago, when we started treating all foreign workers like Singaporeans, their numbers were small. But over the years, the economy has changed and the number of foreign workers will continue to grow. That's why we made the review and as you can see, it is not an insignificant sum."

WHO'S THAT IN MY BED?

Last year, public hospitals saw:

About 10,000 foreigner and 10,000 Pr in-patient cases in Class B2 and C wards, or 9 per cent of total subsidised admissions

About 4,000 PR and 3,000 foreigner cases registered for subsidised day surgery or 7 per cent of total subsidised day surgeries

About 82,000 PR cases and 60,000 foreigner cases for subsidised specialist out-patient clinic treatment (SOC), or 7 per cent of total subsidised SOC workload

National University of Singapore Professor Ake Blomqvist, who teaches health economics, told TODAY that he hoped that some of the $36 million would go into beefing up the Medifund scheme, which was set up to help patients with very low incomes, but currently accounts for "only a very minor share of aggregate healthcare costs in Singapore".

This announcement comes a week after Prime Minister Leee Hsien Loong made the case to put Singaporeans before non-citizens.

Reacting to the Health Ministry's announcement at the People's ActionParty's Community Foundation Family Day last night, NTUC Secretary-General Lim Boon Heng welcomed the move.

"Within the union circles, the feedback from the ground is that there seems to be some disparity on why foreigners are being subsidised for healthcare. It means there's an advantage for employers who employ more foreign workers than locals because healthcare is subsidised by the state,: said Mr Lim, who is also the ruling party's chairman.

"So, this move by Mr Khaw to address this issue would put it on the right balance."

Stressing the need for employers to now buy insurance to cover their workers, Mr Lim said that this could level the playing field for Singaporean workers.

"Over the years, Singaporeans have been asking: 'What's the advantage of being a Singapore citizen when PRs are seen to enjoy the same kind of privileges?' So, doesn't that make foreigners opt for the PR option to enjoy the same benefits as Singaporeans – meaning they have the best of both worlds?

"This move will indicate to Singaporeans that Singapore citizen matter – that's what it's all about," added Mr Lim.

The move, however, has led to concerns among some employers – including home-grown Old Chang Kee, Qian Hu and Apex-Pal International – about the higher costs of doing business here, with cheaper alternatives like China, India and Malaysia in the mix.

"We will have to look into the cost aspect of it. If the impact is minimal, then it's okay for us (to continue to hire foreign workers)," Old Chang Kee's CEO William Lim told TODAY. The pastry-maker, with staff strength of 400 people, has about 25 workers on the Employment Pass in its fold.

The extra cost for employers is likely to come in the form of medical insurance, which the Government is encouraging be bought for workers.

Even though ornamental fish-breeder Qian Hu already provides basic medical coverage to its local and foreign staff, its executive chairman Kenny Yap anticipates the firm will have to plough more resources into this area.

"It's definitely going to increase cost. But sometimes, when the Government makes a decision, we have no choice but to accept that the costs of doing business have to be increased."

TODAY, Wednesday, 13 December 2006

Letter by Leong Sze Hian

A pill that doesn't

Raise medical subsidies for Singaporeans instead

I refer to the article, "Cuts, costs and citizens" (Dec 11). In the past, when foreign workers' levy, accommodation requirements, polyclinic and Communicable Disease Centre fees were raised, the take-home pay generally declined.

With the growing outsourcing trend, particularly for low-skilled work, employers in the outsourcing industry typically have quite low margins and are, thus, sensitive to higher labour costs. They may have some difficulty in absorbing these because they may already have committed to long-term contracts with fixed pricing.

A spokesman from the Humanitarian Organisation for Migration Economics has already raised the concern that the increase in medical costs will be passed on to workers.

The reality, on the ground, is that employers cannot have Singaporeans and foreigners working side by side, doing the same low-skilled job with different pay. So, the implication for low-skilled Singaporeans may be that their wages may decline, too,

This is reflected in the Department of Statistics' General Household Survey 2005: The 11th to 20th percentile of households had declining incomes by 4.3 per cent a year from 2000 to last year.

The playing field between foreigners and Singaporeans workers may never be level, as long as foreigners do not have to contribute to the Central Provident Fund (CPF) and Singaporeans do.

Employers save by not having to contribute CPF for foreigners, and Singaporeans may find it harder to survive with 20 per cent less take-home pay. The fact that most Singaporeans have families to provide for, compared to foreigners who are here alone, may make it even harder for them to take on low-skilled jobs.

Instead of removing the subsidy for foreigners, reducing it for permanent residents (PRs), and maintaining the status quo for Singaporeans, why not increase the subsidy for Singaporeans using the expected $36 million freed-up revenue?

Since many Singaporeans may have to bear the brunt of the increase for foreigners and PRs for whom they are responsible, it is akin to a no-win situation for everyone, if the savings are not channelled directly back to citizens.

For example, last year, Medifund paid out $39.1 million to 288,000 patient applications – an average subsidy of $136. Giving the $36 million additional revenue to Medifund could increase the average pay-out to $261 for needy patients.

Alternatively, current subsidies for Singaporeans could be increased across the board for lower class hospital wards.

I would like to suggest that we explore the possibility of not charging foreigners and PRs more, but giving more to Singaporeans instead. In doing so, all will be happy, instead of one out of four (non-citizens) on the island being unhappy, and perhaps another one or two of the remaining three (citizens) being unhappy over having to pay for the former.

Why not tap some of the hundreds of millions collected in foreign worker levies annually, instead?

In trying to address the issue that Singaporeans should have more privileges than non-citizens, are we inadvertently creating other problems for Singaporeans?

TODAY, Weekend, 6~7 January 2007

Letter by Leong Sze Hian

Take two – for the price of one – and call me in the morning

I would like to relate a recent experience at a free health seminar conducted by doctors from a healthcare group.

An envelope containing hand-outs was given to every one of the hundred-odd attendees. Instead of information or copies of detailed slides on the risks factors, statistics and preventive measures shown during the presentation, it contained seven flyers promoting health screening and "fixed-price surgical packages".

The flyers were slanted towards promotions and had catchy phrases such as "offer price", "extra savings", "free – one post-surgery follow-up check", "free – Orb scan", "one-month promotion period only", "saves $50 or more", and so on.

To be eligible, one had to "bring along flyer; price will not be valid for walk-in patient to clinic".

Has it become common practice for medical services to be sold at different prices for walk-in patients?

The price variation for health screening ranges from $80 to $480, and from $1,600 to $22,000 for "surgical fixed-price packages".

Is it the trend now for doctors to market medical services at seminars? I must say that this is a new experience for me, in my encounters with doctors and hospitals over the past 50 years or so.

Recently, it was reported that some general practitioners are finding it hard to make ends meet.

Perhaps they could learn from the healthcare groups how to market their services.

TODAY, Friday, 13 April 2007

Article by Tan Hui Leng

A shield that could give more cover

The fact that the severe disability insurance ElderShield is up for redesign five years after its launch should draw widespread approval and applause.

After all, the insurance scheme is set to find its place here as a very instrumental safety net in the years to come in our fast ageing country.

But any applause was almost immediately silenced when the proposed enhancements were spelt out: A $100 increment of monthly payout from $300 to $400, and a pay-out period of six years instead of five years.

And these enhancements will not come free – the public has been warned that it will come at a price, in the form of a one-time top-up and higher premiums.

Taken together, the small enhancements and the additional cost make the review seem conservative at best.

Consider the situation here: The claim ratio for ElderShield since it started – only 2,336 out of 748,000 have managed to get the $300 monthly pay-out – is astonishingly low.

As Society of Financial Service Professionals president Leong Sze Hian pointed out, even with all members paving the lowest premiums at age 40, the claims ratio for last year was just 6.7 per cent. Since the 2,366 claims were the cumulative total for four years, the claims ratio would actually be lower.

According to statistics from the Monetary Authority of Singapore, the claims ratio for typical health insurance has been above 50 per cent for each quarter since 2004.

In this light, ElderShield could well be the most profitable insurance scheme ever – not only in Singapore, but in other countries too.

In fact, the claim rate was so low that the two private insurers – NTUC Income and Great Eastern – are giving out the rebate of more than half the “excess” collected.

This was the guarantee given by both insurers, five years ago, in return for the agreement that no changes to premiums and payouts would be made and no other insurers would offer the same product during these first five years.

These rebates, which are still being calculated, would likely be returned to the subscribers in the form of covering their future premiums.

This is scarce comfort considering these private players have been raking in the profits for the last five years, and will likely continue to do so after the slight enhancements are introduced after the review.

For a Government-linked scheme, we would expect ElderShield to be run more efficiently and less for the aim of generating profits – not fat profits, at least.

The proposed refinements seem overly prudent in the interest of the private insurers. The improvements now being looked into by the Ministry of Health and the insurers for the review ought to commensurate with the profitability of the scheme. After all, it wouldn’t be too late to tweak the scheme should it prove to be loss-making, as in the case of MediShield?

Given the common complaints of low pay-out and a short pay-out period during the first five years, perhaps the review should take a realistic look at meaningful adjustments. A mere additional $100 per month for just another year is pathetic: another $100 really does not make much difference to many in the middle-income group.

In fact, some might find it simpler and more sensible to opt out and plan for what one needs with a financial planner. After all, a basic private old-age plan covering those aged 40 can cost under $15 a month but covers permanent disability up to $10,000. In addition, there is also accident and hospitalisation coverage, and coverage for loss of Activities of Daily Living – up to about $20,000 if a subscriber is unable to perform any three.

In contrast, ElderShield now costs just above $12 for males who are enrolled in the scheme from the age of 40. If he does become disabled, the total pay-out over five years, at $300 a month, is $18,000.

For the layman doing educated research for his cover, the current ElderShield just does not seem to measure up.

Although the scheme is supposed to be a basic insurance and riders are available in the future with private players, one wonders at how meagre the scheme is when the middle-income group probably forms the larger base of the insured.

The review undertaken now can certainly be bolder in its changes than what had been proposed.

TODAY, Friday, 13 April 2007

Letter by Leong Sze Hian

Let long-stayers downgrade

Fear of prolonged stay could result in overcrowding in lower class wards

I refer to the Health Minister's clarification in Parliament on April 10 that downgrading to subsidised wards is a two-day process and his plan to introduce means testing in hospitals within a year.

Some Singaporeans who can afford higher class wards might be reluctant to opt for them, fearing that their hospital stay might be prolonged due to unexpected complications and the charges incurred might exceed their Medisave account balance, medical insurance and cash reserves.

Thus, higher-income Singaporeans might opt for Class C or B2 subsidised wards if, for example, they believe that they could be required to stay in hospital for longer than, say, five days.

The logic is that if it's five days or less, they might think that they can afford the luxury of higher class ward facilities. But, since there is always the possibility of them staying for an indefinite period, they might think it is better not to risk opting for a higher class ward.

Now that this worry is being exacerbated by means testing, the problem of overcrowding in Class C wards may get worse. In any case, when the Class C or B2 ward is full, one can go to a higher class ward and still pay the lower rates.

So, why risk opting for a higher class ward in the first place?

In this regard, I would like to suggest that patients and their families be assured that if they opt for a higher class ward, and end up staying or much longer than expected, such as over three weeks, they will automatically be allowed to downgrade to C class or B2.

This may result in fewer people opting for C class or B2 on admission to the hospital. Currently, those who opt for a higher class ward, and subsequently request for downgrading, are subject to means testing – this I believe is what Singaporeans fear most. Thus, this may be the root cause for many patients opting for subsidised wards.

It was clarified in Parliament that it takes two days or longer to process a ward-downgrading request, if patients are unable to produce the relevant documents to support their applications when means-testing is involved.

Only those with a per capita family income of $1,000 a month or lower can downgrade to Class B2, and $500 or lower to Class C.

For outpatients applying to downgrade, it takes an average of two weeks to secure an appointment with a medical social worker to assess whether the patient qualifies.

So, for say a three-person family with a household income of just $1,501 a month, downgrading to Class C is not allowed.

Only 1 per cent of patients in Class A or B1 wards who sought to downgrade were successful.

Judging from this, no wonder Singaporeans are opting for lower-class wards – due to the fear of not being able to downgrade.

TODAY, Monday, 30 April 2007

Comment by Sheralyn Tay

Patients will be allowed to withdraw more from Medisave from tomorrow

Patients will fork out less cash for hospitalisation, day surgery and psychiatric bills as the increases to Medisave withdrawal limits kick in tomorrow.

The daily limit for in-patients will be raised by $50 to $450, while those undergoing day surgery can claim $300, up from the current $200. The annual limit will also be raised from $3,500 to $5,000.

The move – first announced by Health Minister Khaw Boon Wan in February – is part of the aim to "ensure greater affordability of hospital bills", said the Ministry of Health (MOH).

The $50 increase in the in-patient per diem withdrawal limit will increase the coverage of Class B1 ward bill to 82 per cent – that is, 6 per cent more. For an A-class or private hospital ward bill, the increased limit will cover 66 per cent of bills, up 9 per cent from the current 57 per cent.

Currently, more than 90 per cent of all Class B2 and Class C bills are already fully covered by existing withdrawal limits, with no need for out-of-pocket payment. The new increase is expected to benefit another 112,000 bills.

Another 30,000 day surgery patients are also expected to benefit from the rise in limits. This means that 84 per cent of all day operations will be fully covered by Medisave, compared to 77 per cent now.

According to the MOH: "The increase will encourage more patients to opt for day surgery if they do not need to be hospitalised. This will not only save them money and time, but also free up valuable bed space for other patients."

The $1,500 increase in the annual Medisave withdrawal limit for psychiatric bills will also benefit 1,20 more patients – particularly those who stay long-term at the Institute of Mental Health – as up to 82 per cent of bills for a Class B2 or Class C ward can now be covered, compared to 68 per cent before.

While he welcome the limit increase, reader Leong Sze Hian, a financial adviser, noted that the daily limit for in-patient hospitalisation may not be sufficient to cover undergoing complex and costly operations. "One area that might need looking at is the Medisave withdrawal limit for surgery".

Medisave claims on diagnostic scans in outpatient cancer treatment are also expected to be approved later this year.

TODAY, Weekend, 21~22 April 2007

Article by Nazry Bahrawi

Income's drive to take back the lead

Co-op aims to be top motor insurer again with two new classes of premiums

Former market leaders NTUC Income – which finished second-best last year – wants to reclaim the top position in the motor insurance sector.

On Friday, the cooperative announced "drivo", a new marketing strategy that creates two new classes of premiums for motorists. A higher premium (drivo Premium) will allow them to repair damaged cars at any workshop, while a less expensive plan (drivo Classic) means accident repairs can only be done at Income's authorised workshops.

Currently, motorists who sign with Income may opt to have their vehicles repaired at any workshop but this is not actively promoted.

With a clearer distinction between the two plans now, Income's chief executive Tan Suee Chieh hopes to increase sign-ups for the higher-end plan to 15 to 20 per cent of their total sign-ups within the next financial year, up from the current 1 to 2 per cent.

Mr Leong Sze Hian, president of the Society of Financial Service Professionals, thinks the target is achievable, if Income signs exclusive deals with major car distributors.

Under the new scheme, Income will work closely with two car distributors to target new owners, and three independent financial advisers to attract those whose policies are up for renewal.

Mr Tan said: "To regain our market share, we will invigorate our partnership with various channels by engaging corporate agents and distributors more productively and actively."

However, Mr Leong cautioned that such tie-ups might have implications under the Competition Act, which is meant to provide consumers with greater freedom of choice.

He said: "Such exclusive tie-ups mean that a prospective car owner will be left with little choice but to purchase a motor insurance from a certain company, since that individual may end up paying more in terms of the overall car package if he or she purchases from another company."

Last year, Income lost its lead as the top motor insurer when it garnered $170 million in premiums, $1 million less than American insurer AIG. Mr Tan said: "Our market position has been challenged by intense price competition, under-representation in the new car market, and a los of business from intermediaries."

Despite the stiff competition, Mr Tan has ruled out any move to revise Income's premium rates upward to regain market share.

Income also revealed on Friday that its underwriting profit last year was $5.1 million, which translates to a profit ratio of 2.9 per cent and a reduction of 1.7 per cent in underwriting premium was $165 million last year, a reduction of 19.9 per cent from 2005.

TODAY, Friday, 13 July 2007

Letter by Leong Sze Hian

Why do vendors get free rein I hospitals?

I refer to recent media reports about hospitals allowing salespeople into maternity wards to sell products and services to patients.

It has been reported that vendors would have to follow strict guidelines on etiquette and respect of privacy. If this is indeed the case, how is it that, as reported, a patient was woken up twice in the same day by saleswomen who walked into her room to push baby photography and foot impression services?

How is it possible that vendors are allowed to check ward details at the nurses' stations before knocking on patients' rooms to promote their wares?

Since many of the patients interviewed said they would rather not have such vendors come to their bedside, this practice of giving permission to vendors should be properly reviewed.

I wonder why public hospitals even give permission to vendors? Are they any benefits to the hospital? Do vendors have to pay a fee, or are hospitals paid a percentage of the sales made? Will more vendors be calling at hospitals now that it has been profiled in the media? How do hospitals decide which vendors to allow, and which ones to reject?

TODAY, Wednesday, 18 July 2007

Article by Loh Chee Kong

One in 350 patients is HIV-positive – and they don't even know it

More Singaporeans could be infected with HIV than they realise.

According to a recent Ministry of Health (MOH) study of more than 3,000 anonymous blood samples collected in hospitals, 0.28 per cent was HIV-positive.

The study, done earlier this year, excluded blood samples from known HIV patients.

This means 1 in 350 hospital patients who think they are free of the disease are actually HIV-positive. In comparison, there were 2,852 known HIV-infected patients in Singapore as of June last year – or about 0.06 per cent of the population.

The problem is “much more acute” for male patients, with a 15:1 male-to-female ratio in the sample population, said Dr Balaji Sadasivan, Senior Minister of State for Information, Communications and the Arts, and Foreign Affairs, speaking at the launch of a workplace Aids education exhibition.

The stunning findings made for a stark assessment of the HIV/Aids situation in Singapore, and showed the potential minefield health professionals may have to navigate.

Said Dr Balagi: “The methodology ensured that the patients whose blood samples were positive could not be traced … (so) patients in this survey who’ve been misdiagnosed and wrongly treated will continue to remain misdiagnosed and will continue to receive the wrong treatment.”

While a misdiagnosis of HIV “could be excused” 20 years ago, a misdiagnosis today could “very well lead to complaints of professional failure” against doctors and hospitals, he said.

For instance, some Aids patients could display chronic diarrhoea and weight loss. If a simple blood test for HIV were to be done the correct diagnosis would be reached.

Without such a test, though, the patient could end up undergoing “expensive and unnecessary” procedures such as MRI (magnetic resonance imaging) and colonoscopy. The diarrhoea and weight loss may be attributed to stress and the wrong treatment would be prescribed, said Dr Balaji.

Last year, Singapore experienced a record high of 357 new HIV positive cases.

Despite the “serious implications” of the latest study, Dr Balaji believes HIV testing – including for medical staff and hospital patients – should not be made mandatory.

“I don’t think there should be a problem with healthcare workers, as they should be knowledgeable,” he said. “What we need to do is make people understand how they can benefit by volunteering for tests. If we can educate people sufficiently, those who should go for testing will go for testing.”

He called on the medical community to “mull over” the findings and come up with “innovative ways” of providing better care for HIV-positive patients.

“The MON survey … has identified a serious problem. We don’t have all the answers but we should be willing to learn and introduce the best practices from others,” said Dr Balaji, who is leading a study team to Sydney today to evaluate its HIV prevention programmes.

Dr Roy Chan, the president of Action for Aids – a non-governmental organisation for Aids prevention – believes there is no need to push the panic button.

He told TODAY: "In any country, Singapore included, there's a proportion of patients who, unknown to themselves and doctors, are infected."

While few countries have tried to determine how many HIV-infected patients are unaware of their condition, he noted that the MOH's findings are in line with the latest estimates for Singapore by the Joint United Nations Programme on HIV/Aids (UNAids).

According to UNAids, 0.3 per cent of adults here are HIV-positive. The MOH has also estimated previously that for every Aids patient identified, there are possibly two to four undiagnosed.

While "there's always a possibility" of a misdiagnosis, Dr Cha thinks that most healthcare workers here are alert to HIV symptoms and echoed Dr Balaji's view that Singapore must continue to encourage voluntary testing, particularly for those with high-risk behaviour.

But Dr Clarence Yeo, a general practitioner, does not think it is easy to spot early HIV symptoms, as some of these are common in other medical conditions, including cancer.

He said: "Beyond looking at the symptoms alone, if the person is also a high-risk patient – for example, he or she has multiple sexual partners or tends not to use protection (during sexual intercourse) – it would be worthwhile to screen and test them.

"But if the patient doesn't wish to divulge such personal information, then it would not be obvious to us." – With additional reporting by Daphne Chuah

TODAY, Monday, 23 July 2007

Letter by Leong Sze Hian

A gap too wide

Study why big difference between UNAids, MOH statistics

I refer to the article, "One in 350 patients is HIV positive – and they don't even know it" (July 18). This statistic was from the findings of anonymous tests done on excess blood samples of 3,000 hospital patients earlier this year.

UNAids estimates that 0.3 per cent of Singapore's adult population is infected with the Aids virus, which is about 9,000 people. As this is much higher than the Ministry of Health's own statistics of 2,852 people infected here, I suggest we conduct a comprehensive study and a review of the possible reasons why this has happened.

I believe a primary contributing factor is the reluctance of Singaporeans to go for testing. Why? Because should a person test positive, he or she would have to bear heavy costs to get treatment. In some Western countries, HIV-positive patients get free treatment, so the fear of financial ruin is minimised. Here, MediShield excludes Aids.

Without subsidies for treatment, patients should be allowed more liberal access to their own MediSave, as it may make no sense to restrict MediSave withdrawals to a fraction of the costs of treating Aids, since it is a terminal illness. In countries like Malaysia, its citizens with HIV get free life-prolonging drugs as long as the medicine can be produced locally.

Other reasons why Singaporeans may be unwilling to go for testing include the mandatory reporting of those found to be HIV-positive, notifying spouses' ad undergoing HIV testing for mother-to-be.

Unless current policies relating to HIV and Aids are reviewed, the statistics may worsen, as long as people are, in a sense, driven to a state of mind that "it's better not to know". Knowing the truth may be akin to an immediate prolonged life sentence of financial, emotional and physical suffering for the victims and their loved ones.

TODAY, Thursday, 8 November 2007

Article by Lee U-Wen

More mega charity trouble

Ren Ci under probe for possible financial irregularities, IPC status won't be renewed

Like the old National Kidney Foundation, it is well-known for its star-studded televised charity shows that rake in millions of dollars in donations.

Now, the Ren Ci Hospital and Medicare Centre – one of the largest local charities, whose honorary chief executive officer, the Venerable Shi Ming Yi, has become a household face with his fund-raising stunts – is under probe by the Government for its financial management.

Its status as an Institution of Public Character (IPC) will also not be renewed when it expires on Nov 27 – which means public donations made after then will not be tax-deductible.

Yesterday, the Ministry of Health (MOH) said it was commencing an inquiry into "some possible irregularities in certain financial transactions involving the charity and other external organisations.

Ren Ci, whose last charity show in March raised $7.2 million, is one of 12 large IPCs under the ministry's purview. In July last year, the MOH had appointed one of the "Big 4" accounting firms, Ernst & Young Associates, to conduct an eight-month corporate governance review exercise involving all 12 IPCs.

The firm had looked at each organisation's accountability and transparency of its operations, and drawn up a list of recommendations for each. In Ren Ci's case one suggestion was to separate the roles of its chairman and chief executive officer, which were jointly held by the Venerable Shi, 45. This was in keeping with the practice that board and management remain independent of each other.

In September this year, Ren Ci duly complied and named Mr Chua Thian Poh, chairman and CEO of Ho Bee Group, as its new chairman. However, the review into the charity's past transactions also "disclosed other gaps in corporate governance and internal controls", according to the MOH in a statement.

This prompted the ministry to commission Ernst & Young to carry out "a more in-depth evaluation", which turned up the possible irregularities. Hence, it is now "commencing an inquiry into Ren Ci to establish a fuller and better understanding of these irregularities", said the MOH. The ministry, the administrator of the health sector under the Charities Act, will announce its findings after the inquiry is completed in February and take action if required.

Responding, Ren Ci said it has a strong culture of corporate governance and would cooperate fully in the investigations. At the hospital's Buangkok View premises yesterday, auditors were seen carting files into the office.

Observers say that for the public to pass judgment on the charity without knowing more details would be "jumping the gun".

Associate Professor Mak Yuen Teen, director of the Corporate Governance and Financial Reporting Centre at the National University of Singapore Business School, said it is likely the investigations had uncovered "conflicts of interest", where one or more Ren Ci board members failed to disclose their roles in other organisations. "It could involve a situation where a board member has an interest in transactions and did not declare this as it could lead to them losing their position on the board," said Prof Mak.

Or, he said, it could simply be a case of ignorance on the board members' part, with no intent to deceive. "In the eyes of the law, there is no such thing as ignorance and any breach is seen as breaking the law," he said.

Meanwhile, the loss of IPC status for Ren Ci could mean a drop in donations. The charity's latest annual report showed that as of March 31, donations, grants, investment gains and other receipts for the last financial year totalled $30.3 million – up 16 per cent – while expenses amounted to $18.8 million, an 8 per cent rise. The ratio of its reserves to annual operating expenditure was 1.9.

Of the money raised at this year's charity show, $1.5 million has been set aside for the new Ren Ci Hospital in Irrawaddy Road, to be completed next year.

The ministry said it recognised the good work of Ren Ci's staff and would continue to subsidise its patient care services so that patients will continue to receive treatment.

"We are confident that the Ren Ci board will ensure that professional standards and services remain intact and the day-to-day operations carry on undisrupted," said the statement. As of March, the charity employed 326 staff.

An MOH spokesman told TODAY the ministry did not expect to carry out similar enquiries on any of the other 11 IPCs.

TODAY, Friday, 9 November 2007

Letter by Leong Sze Hian

Think about Ren Ci's beneficiaries

A charity without IPC status will find it difficult to survive

I refer to media reports about the Ministry of Health's (MOH) inquiry into Ren Ci Hospital and Medicare Centre over irregularities in financial transactions involving Ren Ci and certain external organisations, and other gaps in corporate governance and internal controls.

The inquiry will take three months and during that period, Ren Ci's Institution of a Public Character (IPC) status which expires on Nov 27, will not be renewed for the time being.

Ask anyone involved in the charity sector, and they may tell you that taking away IPC status, or in this case not renewing it, may be sounding the death knell on charity, because donations will no longer be tax-exempt.

The current state of affairs, coupled with a possible loss of reputation, may take its toll on the patients, staff and their families.

Since the inquiry will take three months, why not let Ren Ci's IPC status continue for another two and a half months, before deciding once the inquiry has been concluded?

Is another two-and-a-half month going to make a big difference, since the accounting firm Ernst & Young Associates had ended its general review of Ren Ci in February and eight months have lapsed since then?

Why didn't the inquiry commence earlier, say, two months ago? This would have been ample time for the authorities to decide whether to conduct the inquiry in the first place.

Such timelines could have helped to prevent Ren Ci's current predicament of being stuck in limbo regarding its IPC status.

For the sake of helping "the public to have greater confidence in the charity sector", particularly in the aftermath of the National Kidney Foundation saga, I would like to suggest that Ren Ci's IPC status quo be maintained until the inquiry is concluded.

TODAY, Tuesday, 29 January 2008

Article by Alicia Wong

'No basis for rise in premiums'

Means testing will not affect medical insurance costs, says Health Minister Khaw

Bit by bit, the questions about implementing means testing in public hospitals are being addressed but one has lingered unanswered, until now: Will medical insurance premiums inflate as a result?

One media report had suggested this possibility, after the Life Insurance Association (LIA) of Singapore said means testing would have a "definite impact" on the health insurance market, and insurers would have to review their product designs and policies.

Health Minister Khaw Boon Wan, however, gave his response in no uncertain terms when TODAY put the question to him. "There is no basis for such a rise," he said, in an email interview.

"The vast majority patients in Class B2 and C wards are from low- and lower-middle income groups and they will continue to enjoy the current heavy subsidy of 65 and 80 per cent, respectively. Their MediShield policies price in such a subsidy rate. As they will not be affected by means testing, why should their MediShield premiums be affected?"

Similarly, Mr Khaw said, premiums for private Shield plans – run by private insurers such as NTUC Income, American International Assurance Company and Aviva, and riding on MediShield to provide Class A/B1 or private hospital coverage – would not be impacted.

"Means testing is on the subsidised Class B2/C wards and there will be no impact on Class A/B1 or private hospitals," he said. "So, why should the private Shields up their premiums as a result of means testing?"

Ministry of Health (MOH) figures show that of the 1.6 million policyholders who hold private Shield plans, about half have coverage for treatment in private hospitals and Class A wards in restructured hospitals.

But some believe otherwise, such as Society of Financial Service Professionals president Leong Sze Hian. The indications are that subsidies will shrink for the top 50 per cent income earners, and such policyholders may yet choose to stay in the lower class wards, he pointed out.

They would end up claiming more from insurers than they would without means testing.

To offset these extra costs, insurers would have to up prices and since it is not feasible to customise premiums based on income or housing type, "the most equitable way is to increase premiums across the board", he reasoned.

On the other hand, Mr Leong suggested, if the money saved from means testing were used to reduce hospital costs, people might end up making smaller claims which would in turn halt the rise in premiums. Or, insurers could offer people the choice to sign with the caveat that if they fail means testing, "insurers won't pay the extra costs".

Mr Khaw acknowledged that "a small minority of upper-middle and high income groups" who bought MediShield instead of the private Shields could end up in Class B2/C wards, with a reduced subsidy post means testing.

"They should top up their current MediShield with a private Shield," he said. "But if they do and if they are affected by mean testing, MediShield will require them to co-pay more, so as to maintain equity with the low-income MediShield policyholders. Again, MediShield premiums will not be affected."

Mr Stanley Jeremiah, former president and a council member of Singapore Insurance Institute, believes means testing would impact only group medical plans that cover B2/C wards. And here, the rub is this: If a hospitalised employee fail means testing, should the insurer or employee pick up the extra costs?

To solve this dilemma, he suggests that insurers raise premiums or state they will only pay current subsidised charges. Otherwise, most critical illness or life policies for individuals reimburse a fixed amount depending on the procedures, or pay out a fixed amount, and as such will not be affected by means testing, Mr Jeremiah said.

Going beyond premiums, what of middle-income Singaporeans who would fail means testing but cannot afford to upgrade their current inadequate policy? Lawyer Leonard Loo pointed out that they could be "exposed to greater medical costs". About 1.2 million Singaporeans have only basic MediShield coverage.

And even if a policyholder can afford the top-up, insurers may refuse it if he or she is already ill.

In such cases, Mr Khaw said: "If they are genuinely distressed by the reduced subsidy, we will review their cases on an exceptional basis and assist them as appropriate."

According to the MOH, some 10 per cent of the working population is not covered by MediShield or Medisave-approved plans by private insurers.

TODAY, Monday, 2 June 2008

Article by Sheralyn Tay

The fatter you are, the fatter your bills?

As obesity levels go up, insurers plan price hikes to match

For years, campaigns have been the primary vehicle for the obesity prevention message. Still, obesity rates have climbed.

The Ministry of Health's (MOH) response has been to throw its weight behind a more focused national campaign next year in a bid to curb expanding waistlines.

But is it time to take the message beyond "soft" campaigns, and bring it home to where it really hurts – the pocket?

This is not unheard of, said healthcare economist Professor Phua Kai Hong.

Since last year, the Japanese have included a body-mass index (BMI) component in their national healthcare insurance schemes. Those with a BMI of 30 or more pay a bigger co-payment.

"This is substantial enough to penalise people such that if they want to enjoy more subsidies, they will have to keep their weight in check," said Prof Phua, who holds joint appointments at the Lee Kuan Yew School of Public Policy and the National University of Singapore.

In the United States, an insurance company has started to offer 5-per-cent premium discounts every five years – up to 20 per cent – to consumers who maintain a healthy BMI of between 19 and 25.

It is an experiment worth monitoring, say commentators. "The technical experience of early adopters and the broader impact of such a practice in other markets would be of interest to insurers here," said Life Insurance Association president Mark O'Dell.

While obesity, like smoking, is an underwriting consideration for life insurers, private health insurers typically do not require medical checks.

On the other hand, because MediShield premiums are very low, those whose BMI exceeds 30 are not covered in the national insurance scheme, said Leong Sze Hian, vice-president of the Society of Financial Service Professionals.

But MediShield would be the best insurance vehicle on the obesity front, he said, as private insurers are too diverse and lack economies of scale.

"Over the years, premiums have been increased to give more cover," he said. "If you offer lower premiums for a lower BMI, then it's an incentive. I think the surplus from MediShield – which stands at $900 million and continues to grow – will allow the MOH to do this. If people kept healthy, there would also be fewer claims."

But there will be challenges, BMI, defined a body weight in kilogrammes divided by the square of an individual's height in metres, is not always an accurate indicator of health risks.

For example, many muscular athletes are "obese" by BMI standards, as muscle weighs about three times more them fat. And a recent study by the Mayo Clinic found that those with "normal weight obesity" – having normal BMI but with excess body fat – are equally at risk of obesity-related problems.

"Looking at the BMI alone is too simplistic," – said Prof Phua, who suggested including more factors into the mix. The downside of that, though, is added cost.

Another downside, said Mr Leong, is that the onus is on the person to truthfully declare their BMI to their insurer.

But if it were a national scheme, one could go to any clinic or even community club to get their height and weight verified, he said.

TODAY, Tuesday, 10 November 2009

Letter by Leong Sze Hian

Means-testing for organ donor fund?

I refer to media reports about the NKF organ donor fund. I would like to applaud the National Kidney Foundation (NKF) for setting up the fund to help kidney donors.

Details of the means-testing criteria to determine whether donors who apply can qualify for the fund are not public. This may deter some people from donating their kidneys.

If the means-testing criteria for subsidy at Class C and B2 wards in public hospitals can be made public, why not do so for the NKF organ donor fund too?

If the past experience of other schemes with means-testing, is anything to go by, not making the criteria public may give the perception that the criteria must be very stringent.

According to the NKF's latest annual report for FY2007/08, it had a surplus fund amounting to $247 million, and a net annual surplus of $9 million.

How much of the $247 million surplus fund is projected to be used for the NKF organ donor fund?

TODAY, Wednesday, 11 November 2009

Reply by D S Pala Krishnan

Head, Care and Counselling,

National Kidney Foundation

Means-testing criteria ensures needy get help

We refer to Mr Leong Sze Hian's letter "Means-testing for organ donor fund?" (Nov 10). We thank Mr Leong for supporting our Kidney Live Donor Support Programme and we understand and appreciate his concerns.

NKF's means-testing criteria to qualify for the Kidney Live Donor Support Fund is based on donor's per capita income; that is, we take into account the financial and social circumstances of the donor's dependants, such as spouse and children. We want to ensure that financial assistance is provided only to need donors. The initial funding of $10 million for the fund comes from NKF's existing surplus fund.

As and when the fund is depleted, NKF will raise funds for this programme.

Once again, we thank Mr Leong for his concerns.

Property

Today, Friday, 9 November 2001

Article by Jose Raymond

My lawyer, my agent?

Real estate scheme divides legal fraternity

It is a moot point that has been troubling Singapore's legal eagles for quite some time: Should lawyers be allowed to double as property salesmen?

Some lawyers, especially the younger ones, don't see any problem with the Solicitors Real Estate Scheme, proposed by about 70 of their peers.

Under the proposal, lawyers will be allowed to engage in three areas of real estate business as agents: the purchase and sale of immovable property; the licensing and rental of immovable property; and real estate management. A lawyer acting as an agent for a seller in a property deal cannot also act for the buyer in the same deal.

Proponents of the proposal – now being considered by the Law Society of Singapore – argue that the scheme is a legitimate means of earning income in an area where they have the necessary expertise. Since late 1995, many law firms have seen dwindling conveyancing revenues after fixed-scale conveyancing fees were cut.

Detractors of the scheme, many of them the more senior lawyers, believe that allowing lawyers to act as property brokers would be an insult to the profession's honour and dignity.

Mr Jeffrey Beh, a lawyer for more than 30 years, said: "The legal profession is a noble profession and although the image of lawyers has suffered over the years, we should not allow it to be tarnished further by mixing the profession with a business. Invariably, it will lead to a conflict of interest."

Another lawyer with 18 years of experience, Mr R Kalamohan, added: "If members of the Bar want to embark on real estate business, then they should be free to do so. But they should choose either and should not marry both."

But Mr Derrick Wong, a lawyer for 16 years and the scheme's prime mover, said he and his colleagues were only asking for lawyers to be allowed to "return to a related area of business which they have given up".

Lawyers are not allowed to engage in real estate agency work under a Law Society directive issued as a result of a court case in 1993. The case involved a lawyer who had sought commission from the seller of a property while representing the buyer of the said property.

Mr Wong understands the reservations expressed by those who opposed the scheme.

"There is a valid concern that the image of lawyers is important to all. And we would not want to tread into areas to bring the image of lawyers into disrepute."

On hindsight, Mr Wong said he should not have labelled the proposal as the "Solicitors Real Estate Scheme".

"This gives people the impression that we were moving into real estate. It is just that we want to widen the scope of the conveyancing practice.

"We will still be lawyers and the new areas which we wish to move into are just adjunct to our current practices."

The proposal was tabled at the Extraordinary General Meeting (EOGM) of the Law Society, which has some 3,000 members, on Oct 25. It has since been referred to the society's three sub-committees: ethics, professional indemnity and conveyancing.

These sub-committees will look at the proposal closely before requesting for a further fine-tuning. After that, the proposal will be tabled at another EOGM and will go to a vote.

If the majority of those present vote in favour of the proposal, then Mr Wong and his team would have won their case.

If the legal fraternity is divided over the issue, the real estate agents whom TODAY spoke to certainly are not.

Mr Sam Tuang, a real estate agent from Passionland, said: "If lawyers think that it is so easy to work this ground, then they should try doing it. But I think it is a silly idea for them to even consider it."

Added Ms Rina Tan: "The size of the property pie is already getting smaller with the shrinking of the economy. A lot of us are already battling hard for clients. Maybe we should start studying law as well."

Today, Weekend, 30 November ~ 1 December 2002

Letter by Leong Sze Hian

Where are my neighbours now?

I live in Serangoon Gardens, the first private housing estate to undergo upgrading.

After months of construction, the drains have been covered up and the lamp-posts have been changed.

In covering up the drain to provide a concrete pedestrian path, the concrete benches that used to be outside most of the houses were also removed and have not been replaced.

Residents used to sit on these benches and mingle in the early evening for the last 40 years or so.

When walking along the streets in Serangoon Gardens in the past, you could wave and talk to neighbours who were relaxing on the benches.

However, as I walk out of my home in the evenings now, my first thought is: Where have all my neighbours gone?

The streets are now mostly empty.

The upgrading of physical facilities has led to a downgrading of social interaction.

Since the opening of the upgraded market on Nov 19, and the relocation of the famous Taman Serasi hawker stalls to the Serangoon Gardens market, the traffic jams have also worsened.

Perhaps, the unintended benefit of this is that it is now faster to walk than to drive within Serangoon Gardens.

Maybe other residents of other private estates can learn from this experience when it is time to upgrade their estates.

TODAY, Wednesday, 15 December 2004

Letter by Leong Sze Hian

Poor investment performance is baffling

I refer to media reports that there are more than 18,000 homes lying vacant in Singapore.

The URA Private Residential Property Rental Index has slipped about 40.4 per cent since mid-1996, in line with a 37.8-per-cent decline in the URA's price index for private homes over the same period.

Over the last 10 years, the Singapore dollar has lost about 11 per cent against the US dollar. The interest on US dollar deposits was also consistently higher than Singapore dollar deposits for almost the entire period.

Over the last 10 years, the Singapore stock market had an annualised rate of return of about minus 0.5 per cent, according to the MSCI (Morgan Stanley Capital International) Singapore Index.

Over the last 10 years, 69 per cent of CPFIS (CPF Investment Scheme) investors had cumulative losses in that they did not beat the 2.5 per cent interest on the CPF Ordinary Account.

Why is it that Singapore has done so badly in almost every major investment asset class?

TODAY, Thursday, 19 November 2009

Article by Esther Ng

Higher property taxes in 2010

To cushion the rise, Govt to give a one-off rebate of 50%

Singapore – Expect to pay higher property taxes next year, but the rise will come with some cushioning. The Inland Revenue Authority of Singapore (Iras) has announced that it is raising the Annual Value (AV) of Housing Development Board (HDB) flats.

The move comes on the back of rising resale prices and rents.

The tax authority noted that while rents for HDB flats have stabilised after a moderate decline between the end of last year and the middle of this year, rentals have begun to rise since.

"As a result, current values of HDB rentals, as well as HDB resale prices, are still significantly higher than levels observed in 2007. The AVs of HDB flats will therefore have to be adjusted," said Iras.

The last time there was a revision in the AV for HDB flats were in January last year.

Even though HDB rental increased by up to 37 per cent last year relative to 2007, Iras deferred adjusting the AV for the start of this year because of the "uncertainty in market rental trends" in a recession.

To help HDB flat owners cope with the increase in January, the Government will give a one-of property tax rebate of 50 per cent of the tax payable, capped at $120. This applies to all those who live in the flats they own.

To help those in smaller flats, Iras will offset the total tax amount for households which have to pay property tax of $50 or less. This would mean that two-roomers will not need to pay property tax.

"It will help soften the blow," said real estate consultant Nicholas Mak.

He added that owner-occupiers of HDB flats will not be affected that much as "property tax on HDB is lower than (that of) private property".

On average, the increase will in property tax will be $72 for three-room flats, $97 for four-room flats, $107 for five-room flats and $103 for those in executive flats.

For those renting out their HDB flats and who will not receive the rebate, Mr Mak said that with demand still buoyant from the immigrant population, the "increase in rentals could offset the increase in AV". As of March this year, HDB has approved 22,754 applications by owners to rent out their units.

The Government will have other help measures for the "down-and-out", added Member of Parliament Ho Geok Choo, a Government Parliamentary Committee member for national development.

A higher AV may also have implications for inflation, although economists were mixed about the expectations of the impact.

"It will be benign because underlying inflation is low," said DBS economist Irvin Seah.

While others expect headline inflation to go up, unlike in Jan 2008 – when the government last raised the AV of public flats – it will not hit the heights of 6.6 per cent then.

"The housing component is a large contributor to the CPI basket and inflation might reach 2 to 4 per cent by the first quarter," said CIMB-GK economist Song Seng Wun, who added, though, that higher food, utility and COE prices could present greater upside pressure.

TODAY, Monday, 7 December 2009

Letter by Leong Sze Hian

Too soon to up property tax

I refer to the recent increase in property tax for HDB flat-owners.

I think that increasing property tax so soon after the last hike in January last year may be rather ill-timed because resident unemployment is still quite high. In some companies, wage cuts, shorter work weeks and compulsory no-pay leave have not been restored. Moreover, economic recovery is not certain.

With a minority renting out their HDB flats, the majority of owners do not benefit from rising property prices and rentals.

While it is good to continue exempting HDB two-room flat owners from property tax, they represent less than 5 per cent of HDB flat-owners.

A one-time rebate of 50 per cent has been given to cushion the property tax increase.

I would like to suggest a smaller increase without a one-time rebate. Doing so would even out the increase in property tax, instead of a sudden jump after the one-time rebate.

Also, shouldn't any increase in property taxes be applied to private property owners' first, if not simultaneously?

TODAY, Wednesday, 30 December 2009

Article by Esther Ng

Asset that keeps growing

Singapore – For those would-be flats buyers who hope property prices do not rise, National Development Minister Mah Bow Tan paints an alternative scenario.

Would they prefer a fixed-price system, whereby home-owners, when they want to sell their Housing and Development Board (HDB) flat, must return it to the authorities for the price they paid for it?

In this scenario, no one is allowed to profit from the sale of the flat. As a result, prices are kept low.

"It's almost like renting the flat to somebody," Mr Mah said as he spoke to MediaCorp about housing issues in a year when even he was "caught off guard" by how the HDB resale market trended north in a recession year.

"Nobody, no matter how prescient, no matter how clever, would have been able to predict that this was what was going to happen," he said.

Nonetheless, Mr Mah believes the current system is far superior to one that keeps housing cheap through a non-market-based system.

"Because it gives greater benefits to the home-owner. It gives them a stake in Singapore … it also allows them to profit from the growth that Singapore enjoys because as we grow, the flat values goes up," he said.

"Once they own the flat, it's an asset. And this asset can be cashed out in old age, be used to finance their retirement. It's a store of value for them."

Mr Nah sees no conflict in the twin objectives of providing affordable housing and creating assets for Singaporeans that will grow over time.

"We have to do both for the simple reason that a flat buyer today will be a flat owner tomorrow … For that to happen, we must make sure that flats are affordable," he said.

"Otherwise, how can the flat buyer be an owner?"

Prices are still affordable, said Mr Mah, as evidenced by how 80 per cent of Singaporeans who buy new flats can pay for their mortgages using only 21 per cent or less of their income – in other words, using only their CPF contributions.

'At least one BTO launch a month'

Looking to next year, Mr Mah said the opening of the two integrated resorts will lead to higher demand for housing. "But we'll increase the supply as well.

"We hope demand will go up because that means the two IRs are successful, and if the two IRs are successful, tourism numbers will go up and employment will go up and the community will benefit."

Pundits are predicting that property prices, public housing included, will continue to increase next year.

The beneficiaries of this, and of any property upturn in general, will be those who own more than one property, according to Ngee Ann Polytechnic real estate lecturer Nicholas Mak, as they can "keep one for themselves, sell one off or rent the other one out".

For flat buyers waiting for prices to dip first, Mr Mak added: "No one knows when the next cycle will take place, or where the bottom is, so they have to get on the bandwagon."

According to Mr Mah, people who bought homes because they were "afraid prices are going to go up even further" contributed to rising prices this year, with pent-up demand and the "usual demand" from first-time buyers and permanent residents being the other factors.

Flat buyers, he said, can look forward to at least one Build-To-Order launch a month next year, which translate to some 12,000 new flats on offer.

“They will be in good locations, not necessarily in mature estates, but in newer town near MRT stations, facilities in exciting neighbourhoods, so don’t rush,” said Mr Mah.

TODAY, Thursday, 31 December 2009

Letter by Leong Sze Hian

A precious resource

I refer to “Asset that keeps growing” (Dec 30) and reports that tow Housing and Development Board (HDB) blocks in Toa Payoh will be rented out to foreign workers from the Integrated Resorts (IR).

The report states that, “Looking to next year, Mr Mah said the opening of the two Integrated Resorts will lead to higher demand for housing.”

It also quoted Mr Mah Bow Tan as saying: “But we’ll increase the supply as well.”

My friend, who is unemployed, asked me what is the cheapest rental that he, as a single person, can get in Singapore, as he can no longer afford the single-room rental in an HDB flat.

I understand that the cheapest single-room rental in an HDB flat is about $350. As far as I know, the cheapest rental is $140 in a shared HDB flat, from EM Services. However, this option is only for foreigners and is not open for Singaporeans.

Why is it that a Singaporean has to pay at least $350 for a place to live, when an IR foreign worker can rent for as little as $140?

While thousands of Singaporeans have to wait for months to get a rental flat, why is it that foreign workers can rent and stay in HDB flats immediately?

So why are these blocks now being used to house foreign workers for rental profit?

This is not the first time that HDB flats are being rented out to foreigners, as I understand that there are flats in Woodlands used for this purpose.

HDB flats, being public housing – a precious, limited resource, and much in demand – should only be reserved for Singaporeans.

Taxation

Today, Friday, 8 November 2002

Article by Ng Boon Yian and Chan Chao Peh

Hike and dislike

Should the Govt postpone GST increase?

An uneasy countdown has begun. In less than two months, shoppers will face price tags that show a higher goods and services tax (GST) of five per cent, instead of three.

The Government's position on this has been explained painstakingly and the slew of recent bad news is too well known to bear repeating. But since the plan to raise the GST was conceived before anyone knew that unemployment would hit a 15-year high and growth would be much slower than had been projected, several experts we spoke to share the same concern: Is Jan 1, 2003 the best tie to dispense this "bitter medicine" of a two percentage point increase?

Of course, some feel that Singaporeans should bite the bullet, but MP Inderjit Singh (Ang Mo Kio GRC) is not one of them.

He suggested delaying the GST hike by about a year to see how the economy fares. And Mr Tan Kin Lian Lian, CEO of NTUC Income, feels that it would be helpful if the hike could be deferred for about six months. "If the outlook for the economy looks positive, then the hike could be introduced," said Mr Tan. "The deferment of the GST hike can be taken as a contribution by the Government to put some money back into the economy," he added.

Mind you, there are complications. The Economic Restructuring Shares (ERS) have already been given out – partly to cushion the man in the street from the GST hike. A candid Mr Suan Teck Kin – an OCBC economist – felt it would not be worth delaying the pain. "This is a political decision. The shares have already been distributed. How to take them back?"

To remain competitive in the long run, Singapore is reducing direct taxes and offsetting them with increases in indirect taxes, like the GST. Mr Inderjit Singh agreed, but said: "By delaying the GST increase, we are not abandoning it. We will do it later, but the principle (of tax restructuring) will not change."

Observers are worried that if the hike goes through, it will hit the business climate and consumer confidence,

"While a lot of people will say that an extra two percentage points is no big deal for consumers, it would seem that everything has risen these days while real income has not," said Ms Chua Ping Sze, a consumer analyst at DBS Vickers. "The GST is increasing. The utilities bills have gone up. The petrol bills have gone up. Parking fees have gone up."

Ms Lau Chuen Wei, executive director of the Singapore Retailers Association, is also concerned that a hike will dampen consumption. Already, people are tightening their belts in view of uncertainties, especially about their jobs, she noted. "We are not talking about a one-off downturn. The economy seems to be fluctuating and people are wary of spending. Most people would say let's wait for things to stabilise first," Ms Lau said.

Mr Inderjit Singh, however, cautioned against overstating the stimulus effect of domestic consumption, since it is not the main economic driver. In the US, it forms two-thirds of the Gross Domestic Product. Here, the figure is about 40 per cent.

What the MP is more concerned about is that the hike will also increase the cost of doing business.

Then there is the touchy question of reserves. The hike is expected to bring in additional revenue of $1.32 billion per year – slightly more than the revenue loss of $1.3 billion from the income tax cuts.

Mr Eddie Lee, a regional strategist at DBS Vickers Securities, felt that, given its reserves, it is well within the Government's means to absorb the shortfall.

But analysts like Mr Suan are not swayed. True, there could be a war in Iraq. But what if it were a protracted conflict? Does it mean delaying all decision-making?

"Take a broader, longer term view. Why are we doing all this? It is to diversify the tax revenue base," he said.

Dr Choy Keen Meng, an economist at the National University of Singapore, said that a delay might not push up consumption. It could erode consumer confidence as it would send a signal that the economy is so bad that the Government has to reverse a decision, he added.

Besides, Mr Suan pointed out that it is not as if Singapore's economy is mired in a recession. It is just seeing dull recovery, assuming that the ultimate growth figure is paltry two per cent.

On the hike, he said: "You win some, you lose some. Bite the bullet and just do it."

Today, Thursday, 14 November 2002

Letter by Leong Sze Hian

The GST equation

Many people missing chance to offset the increase

I refer to the report, “Hike and dislike – Should Govt postpone GST increase?” (TODAY, Nov 8).

Some 490,000 Singaporeans have yet to make the necessary minimum contribution of $50 into their CPF accounts by Dec 31 to qualify for their Economic Restructuring Shares (ERS).

The shares are meant to be part of the package to help offset the impact of increasing the goods and services tax (GST) from three per cent to five per cent.

If some Singaporeans fail to make the required contribution by Dec 31, some of the GST offset will be lost.

In the case of those who wish to receive their money by cheque, instead of by Giro, I understand that there is an administrative charge of $4 to cash the cheque. This is equivalent to two per cent, if the shares are worth $200. This could further reduce the GST offset.

What happens to all these losses from the GST offset package?

I understand that the package will offset fully the GST increase for five years. If the net effect is zero, why increase the GST during the current economic downturn?

The effect is likely to be much unhappiness among Singaporeans, lower growth and fewer jobs.

The GST increase may benefit some people but it will leave others worse off.

For example, a household with a monthly income of $3,000 that spends 95 per cent of its earnings will have this amount affected by a GST increase.

In contrast, a family with a monthly income of $ 10,000 that spends 50 per cent of its income will have only 50 per cent of its income affected. The other 50 per cent could go to savings, investments and taxes.

Given their different circumstances, many Singaporeans might find it difficult to grasp the full GST offset formula.

Today, Wednesday, 20 November 2002

Reply by Lionel Yeo

Director (Taxation)

Ministry of Finance

Rebates to cover extra tax

I refer to the letter, "The GST equation" by Leong Sze Hian (TODAY, Nov 14).

Contrary to Mr Leong's illustration, the GST offset formula will not leave lower-income households worse off.

Based on actual household income and expenditure patterns, the Economic Restructuring Shares (ERS) and the various rebates that make up the offset package should cover the extra GST that households living in one or two-room HDB flats have to pay over the next 10 years.

This is much more than the coverage for those in the higher-income groups.

In addition, under the Citizens' Consultative Committee (CCC) Assistance Scheme, any household with an income below the median household income of $3,600 per month can turn to their CCC for assistance if they find that the package of ERS and rebates does not cover fully their extra tax burden.

Mr Leong also mentioned the administrative fee for cashing of ERS cheques. Only those without bank accounts will have to pay the fee.

The banks make the $4 charge because this is a service especially for New Singapore Shares (NSS) and ERS.

The banks will not charge those who are over 62 years old.

Today, Tuesday, 5 August 2003

Letter by Leong Sze Hian

First the axe, then the tax

I refer to media reports that Singapore Airlines staffs who accepted a "golden handshake" from the airline have to pay income tax on the lump sums they received.

It is perhaps ironic that, while companies and workers are generally financially disadvantaged in an economic downturn, the Inland Revenue Authority of Singapore (Iras) collects more taxes because of the higher number of retrenchments and early retirement benefits.

Can the Iras consider not taxing or reducing the tax on retrenchment benefits?

Also, is it possible for companies to consider giving retrenched workers the option of receiving payments that are spread over a few years, instead of a lump sum, in order to reduce the marginal tax bracket for income tax to reduce the taxes payable by the employee.

Retrenched Singaporeans may be less stretched financially if they are not taxed on their retrenchment benefits.

Today, Weekend, 9~10 August 2003

Reply by Lee Leng Kiong (Mrs)

Director (Corporate Communications)

Inland Revenue Authority of Singapore

Only certain payments taxable

We refer to the letter, "First the axe, then the tax" by Mr Leong Sze Hian (TODAY, Aug 5).

Retrenchment benefits are not taxable. There is, therefore, no question of the Inland Revenue Authority of Singapore (Iras) collecting more taxes, and no issue of taxpayers having difficulties in paying taxes, on account of retrenchment benefits.

The increase in tax collections reported in the press recently is due mainly to the increase in property tax and GST collections, as explained in The Straits Times dated July 1, 2003.

There may, however, be other payments, which are taxable, made to employees together with their retrenchment benefits, such as: (a) Payments made in accordance with contract of service, such as payment in-lieu of notice, leave pay, allowance etc.; and (b) Ex-gratia (or goodwill) payment, gratuity made in respect of past services or past contributions.

These will be taxed together with other incomes earned for the year.

Taxpayers who need clarifications on the matter can contact the Iras at 1800-356 8300.

Today, Monday, 15 December 2003

Letter by Leong Sze Hian

Be flexible please, Iras

Do not confiscate New Singapore Shares

I refer to media reports that the Inland Revenue Authority of Singapore (Iras) is confiscating Singaporeans' New Singapore Shares (NSS) and Economic Restructuring Shares (ERS) because they owe taxes.

The Iras recovers taxes owed from one's bank accounts and salaries through one's employer.

Those who had their shares taken by the Iras when they tried to cash in their NSS and ERS no longer have any money in their bank accounts, or have no salary because they are unemployed.

It is probably likely that those who are unable to pay their taxes may also not be able to pay their mortgage, utilities bill, CPF top-up, children's education, and are unable to get jobs.

Over 200,000 have yet to top up $50 to CPF to qualify for the ERS. Some may have been hard-pressed to come up with the $50 in order to receive the ERS.

Some may even have borrowed the $50 with a promise to pay the lender when the shares are cashed-in.

The hopes of 26,500 Singaporeans for some cash relief from the ERS are now dashed, if they owe taxes.

Perhaps even more Singaporeans may not top up their CPF to get the ERS, now that they know it cannot be cashed-in if they owe taxes.

They also know now that they should not try to cash in their shares.

In light of the current economic downturn, I suggest that the Iras be more flexible and sympathetic to this group, by allowing them to pay their taxes when they get a job, through monthly deductions from their future salaries.

TODAY, Monday, 26 July 2004

Letter by Leong Sze Hian

Policy-making and the inequality gap

It's time for policy makers to consider the implications of this gap widening

I refer to the reports, "Homeless, hopeless AND help-less" and "Homeless in Chinatown – What three men had to say" (July 24~25).

I would like to commend Major John Yap for his attempt to provide a home for Singaporeans who do not earn enough to afford a roof over their heads or three meals a day.

Moved by the reports, I spent some time this weekend reading the 299-page United Nations Human Development Index report on the Internet.

From the report, I understand that the richest 10 per cent's share of income in Singapore was 17.7 times more than the poorest 10 per cent.

Singapore's ranking in the Gini index, which measures inequality over the entire distribution of income or consumption, is relatively low with about 77 countries above the Republic.

Singapore's score is 42.5, where 0 represents perfect equality and 100 perfect inequality.

While Singapore has developed economically we could try to give more emphasis to reducing the gap between the rich and the poorer segments of the population.

Some policy changes that have been implemented, or are being planned, may lead to a further widening of the inequality gap – such as no income tax on stock dividends which may also favour the rich more, and the raising of the Goods and Services Tax (GST) to offset the reduction in the maximum income tax rates.

Of late, corporate social responsibility has been the "in" thing.

But last year, while Singapore Airlines (SIA) was retrenching staff, it asked shareholders to remove the limit on stock options that can be given to senior management. Loss-making companies like the PSC gave discounted stock options to senior management despite dissent from minority shareholders and the concerns voiced by many in the securities industry.

Ministers' pay is pegged to the top earners in the private sector. Maybe some element of the pay of Ministers and top civil servants could also be benchmarked against Singapore's score in reducing the inequality gap, in the future.

Perhaps, both the public and private sectors may like to give more consideration to the implications on the inequality gap when making policy decisions.

TODAY, Wednesday, 15 November 2006

Letter by Leong Sze Hian

Juggling hikes and help

Study impact of GST rises on growing income gap

The Prime Minister has said the Goods and Services Tax (GST) will be increased to 7 per cent. Mr Lee Hsien Loong said the hike is necessary to finance the enhanced social safety nets to help the lower-income group. There are plans to increase the grant to the needy to buy their first home and to give them more workfare bonuses. And the GST hike will come with a package that will more than offset its impact on the poor.

Since May, there have already been increases in electricity, taxi fares, Electronic Road Pricing, food and beverage prices due to the higher rental of upgraded food centres, university fees, bus and Mass Rapid Transit fares, Housing Board rentals, and so on.

The GST, some argue, is a regressive tax because it generally affects the lower-income more than the higher-income. As income tax rates have been reduced gradually since the introduction of the GST, the higher-income have, in a sense, benefited more on a relative basis. Instead of just increasing the GST, I suggest we explore the possibility of taxing the higher-income more.

Past experience indicated that most businesses may just pass on the GST increase to consumers, often disproportionately more than the actual increase.

Our experience with the New Singapore Shares, Economic Restructuring Shares, Progress Package, and so on, has also shown us there may be leakages in the system, such that many may not get help because they fail to register before the deadline.

Increasing the GST may also affect Singapore's competitiveness internationally, as its current costs are much higher than those of its neighbours.

I suggest that a comprehensive study be conducted to examine the extent to which GST and its increases may have contributed to the widening income gap. In so doing, we may avoid growing the cause of the problem we are trying to address.

We could also try to explore other resources that Singapore has to help the poor, such as its US$132 billion ($205 billion) foreign reserves.

I believe the additional revenue from the 2-percentage-point GST increase is estimated to be less than $2 billion.

This year, Temasek's paper losses in Shin Corp are already estimated to be more than $1 billion and the SingTel Optus expected estimated write-down, according to some preliminary reports, is about $8 billion.

We could try to re-examine how such investments, particularly overseas, with a view to learning from the experience – so that, in the future, we do not burn – even on paper – funds several times the annual increase in revenue from the GST increase.

As to "plans to increase the grant to the needy to buy their first home", the lower-income may generally have a higher probability of encountering financial difficulty at some point in a typical 30-year mortgage, and thus risk losing their homes and Central Provident Fund.

In short, some of the measures to help the needy may unintentionally end up creating greater problems for them.

TODAY, Friday, 1 December 2006

Article by Lin Yanqin

Hike with a heart

Govt fees won't change for a year; GST to be absorbed for education, healthcare

The Government will continue to absorb the Goods and Services Tax (GST) levied on education and subsidised healthcare services after the GST goes up from 5 to 7 per cent, while Government fees will not change for one year after the hike.

This was announced by Second Minister for Finance Tharman Shanmugaratnma during a Channel News Asia forum yesterday.

"(Health Minister) Khaw Boon Wan has already asked the Government to absorb GST on healthcare. We will do that. We will absorb GST on healthcare as well as on education. On top of that, we will have no fee increases for a year starting from the time of the imposition of the GST," he said.

This means that public school fees, HDB car park fees, conservancy charges and business licence fees remain unchanged for one year after the GST increase.

The move was welcomed by MP and National Trade Union Congress (NTUC) assistant secretary-general Halimah Yacob. "If they do absorb healthcare it would be a tremendous help because people are very concerned about that," she said. "Our population is ageing, and more and more people are seeking healthcare services."

She was more concerned about higher-level education costs, she added. "Education should be accessible to all, and preferably so when it comes to education at post-secondary levels, Polytechnics and universities are expensive, so I hope they will do something there."

A National University of Singapore spokesman said the university will "assess the impact of the proposed increase when the implementation details are announced by the Government next year", before deciding on a course of action, if any.

NTUC FairPrice will also wait for the details of the offset package to be released before deciding whether to absorb the GST increase like it did the last time GST was raised.

"Apart from absorbing GST, there are other measures," said Halimah. "My union, for example, gave ouot hundreds of thousands' worth of education bursaries and back-to-school vouchers. Collectively, we have already been giving assistance, and this will continue."

Meanwhile, several members of the public were glad that GST on healthcare and education would be absorbed.

"It's definitely a relief, because healthcare is something that affects everybody. It's a basic need. If you need to see a doctor, you really have no choice." said a boutique owner in her late 30s.

Others disagreed. "For me, absorbing tax healthcare doesn't really affect me – it's something more helpful for the elderly," said Mr S W Wong, 38, who has two young children in pre-school. "But they won't absorb taxes for petrol, or transport."

Mr Y H Tan, 35, who is in sales, agreed. "It's basic necessities that shouldn't be taxed because it will be lower-income groups that will feel it the most," he said.

The Government has already announced that the offset package will shield the less well-off from the extra burden of the GST. But absorbing it directly on "necessities" would be difficult, said Mdm Halimah. "Take, for example, rice. Do you subsidise the more expensive brands of rice?"

TODAY, Weekend, 2~3 December 2006

Letter by Leong Sze Hian

GST ups and downs

Instead of freezing fees, look at other ways to keep them in check

I refer to media reports that there will be no Government fee increases for one year after the proposed Goods and Services Tax (GST) hike kicks in.

The Government will also continue to absorb the GST for education and subsidised healthcare services.

It would be reassuring to know that the government agencies have no plans to raise the fees by even higher margins one year later – to make up for the freeze.

Instead of being frozen for a year, shouldn't fees be pegged to not just go up, but down also, depending on each government agency's revenue, costs and profits?

In this connection, I would like to suggest that every government agency be subject to independent scrutiny as to the basis and justification for increases.

The role of independent directors has been the subject of much debate recently, particularly in the context of protecting the interests of minority shareholders.

So, in a sense, shouldn't there be "independent directors" to look out for the interests of the poor when the GST goes up?

Also, in the past, although the GST was absorbed for subsidised healthcare services, the fees for subsidised as well as non-subsidised healthcare services went up.

TODAY, Thursday, 14 December 2006

Letter by Leong Sze Hian

Frozen fees don't cover basic needs

Why are items like HDB flat prices excluded from move to offset GST hike?

I refer to media reports that the Government has spelt out the fees to be frozen for one year after the Goods and Services Tax hike, in fulfilment of its pledge to offset the burden of higher GST.

Fees not set by the Government are excluded from the list, as any changes are determined by market or other forces. These include utilities charges, polyclinic and hospital charges, phone bills, university fees, HDB flat prices, foreign maid levy, vehicle and road taxes, and service and conservancy fees.

I find it somewhat puzzling that the excluded list includes polyclinic and hospital fees; foreign maid levy; vehicle and road taxes; and HDB flat prices.

Do these not fall under the Ministries of Health, Manpower, Transport and National Development respectively?

Have these fees not always been set by the ministries concerned? How have "market forces" ever been the determinant of such fees?

Can we have some elaboration as to what are the "other forces" that determine these fees?

I find it disappointing that most of the fees that will be frozen is not basic amenities, and those not frozen are mainly basic necessities which may impact the lower and middle-income more.

The explanation that service and conservancy fees are not frozen because these are decided by Town Councils is a somewhat weak rationalisation.

Are not most Town Councils, with the exception of two in the Opposition wards, headed by Members of Parliament from the ruling party?

TODAY, Friday, 15 December 2006

Reply by Seah Seng Choon

Executive Director

Consumers Association of Singapore (Case)

GST profiteering unethical

No grounds for price increases now based on proposed hike

I refer to the letter, "Beware prehike profiteering" (Dec 13).

It is unacceptable and unethical for businesses to raise prices claiming an increase in the Goods and Services Tax (GST) even before the increase has been implemented.

There are no grounds for price increases at this stage to be attributed to the proposed GST hike.

Consumers who suspect that businesses are profiteering from GST can report the matter to the Committee Against Profiteering (CAP). They can send in their feedback via the CAP website at www.cap.org.sg.

For advice on consumer issues, the public can continue to call the Case hotline: 6463 1811.

On our part, we will monitor the implementation and impact of the GST hike next year to make sure that consumers' interests are protected.

TODAY, Weekend, 23~24 December 2006

Letter by Leong Sze Hian

Price hikes and the role of the consumer watchdog

I refer to the Consumers Association of Singapore's (Case) reply, "GST profiteering unethical" (Dec 15).

In response to the concerns expressed in the media about price increases for essential items with the impending GST hike, Case has said that consumers can report to the Committee Against Profiteering (CAP). How many cases of profiteering have been determined by the CAP since its establishment in 2002?

The prices of various essential goods and services have gone up recently. For example, electricity tariffs have increased a few times, postage prices were raised, and both bus and MRT fares went up from Oct 1.

Does Case examine and speak out on such increases, especially when the services are provided by monopolies? I remember that it used to do so in the past.

In 2002, Case saw a walkout of members in a public clash of ideology and questions over what causes should be championed. The 13 members who resigned included lawyer Stephen Loke, who had chaired several committees with Case. That same year, Case spoke up against increases in public transport fares and called for the Government to monitor the impact of higher hospital fees.

In countries such as the United Kingdom, consumer associations are independent and free of any connection with the government.

Such independence is the case in almost every developed country in the world, because there may be inherent conflicts of interest – the interests of consumers may often be at odds with the goods and services provided or indirectly influenced by Government or government-linked companies.

One of the requirements to be a full member of Consumer International, the international association for consumer associations, is that they must be independent of party politics.

In Singapore, the president and vice-president of Case, as well as the chairperson of CaseTrust Advisory Council, are all Members of Parliament.

TODAY, Wednesday, 27 December 2006

Reply by Jeffrey Law Lee Beng

A Case for the masses

After reading Mr Leong Sze Hian's letter, "Price hikes and the role of the consumer watchdog" (Dec 23), I agree that the Consumers Association of Singapore (Case) should be a grassroots, independent and non-government organisation.

The association has occasionally handled complaints about financial products, travel, time-sharing and expensive merchandise such as electrical items and furniture.

These issues are just the tip of the iceberg and the people seeking redress are usually those who are educated and better-off financially.

Case should be more concerned about the well-being of ordinary Singaporeans and ensure their right to basic needs such as food, public transport and a clean environment.

As independent consumer watchdog in a neighbouring country played a key role in closing down a Japanese factory that had dumped lead and low-radiation waste in an inappropriate place.

The same watchdog is so influential that supermarkets and provision shops are wary of raising prices of basic necessities such as rice, sugar and cooking oil, lest they get tagged as profiteering.

Ideally, Case should be a fully independent institution if it wants to build a new generation of critical and knowledgeable consumers.

TODAY, Thursday, 28 December 2006

Reply by Yeo Guat Kwang

President, Consumer Association of Singapore (Case)

Your Case is ours

I refer to the letters by Leong Sze Hian ("Price hikes and the role of the consumer watchdog", Dec 23) and Jefrrey Law Lee Beng ("A Case for the masse", Dec 27).

Case has asked consumers to report their concerns about Goods and Services Tax-related profiteering to the Committee Against Profiteering (CAP). CAP was set up by the Government to combat GST-related profiteering and it has the vested power to investigate such complaints. Case is an institutional member of CAP.

We understand that CAP investigated all complaints against retailers who use GST hikes as the reason to increase prices at the last GST adjustment. It is expected to do likewise in the coming increase.

Case was set up in 1971 when the prices of basic necessities were unstable and there was rampant profiteering. Our mission of protecting consumers' interests remains relevant today.

The writers asked if Case examines and speaks out on price increases, especially those relating to services provided by monopolies. They cited postage, public transport and electricity tariffs. Some of these services are already monitored and subjected to regular reviews by the authorities: Postage costs by the InfoComm Development Authority and public transport fares by the Public Transport Council. Electricity tariffs are determined by a formula that tracks the ups and downs of quarterly prices, depending on changing input costs, which primarily comprises oil.

Case watches all price increases closely. We are not against price adjustments by market forces per se; we believe businesses should be transparent and consumers give more information when prices are adjusted.

We have consistently called for transparency on pricing, such as our task force on transparency in hospital bills in 2004. We will continue to take a firm position on unjustified or non-transparent price increases.

Case has been an affiliate member of Consumers International since early 2004. Case is a non-profit, non-governmental organisation that draws on the strength of more than 200 volunteers who help us champion consumer issues.

Case serves consumers from all sectors of society. Besides handling individual complaints, we also conduct public talks to raise awareness of consumer problems.

Leadership is provided by the Central Committee of 19-elected members, including the president and vice-presidents. Six are institutional members with a union and cooperative background and the rest are individuals and professionals who volunteer their time. We welcome people from all walks of life to contribute their time and expertise to the consumer movement in Singapore.

TODAY, Wednesday, 13 June 2007

Letter by Leong Sze Hian

A puzzling hike in domestic mail rates

Increase in postage is disproportionate to the increase in GST

I refer to the announcement made by Singapore Post (SingPost) that postage rates for domestic mail will increase with effect from July 1 – from 25 to 26 cents (for standard mail weighing up to 20g), and 31 to 32 cents (for those up to 40g) – an increase of 4 and 3.2 per cent respectively.

SingPost attributed the reason for this to the 2-percentage-point increase in Goods and Services Tax (GST).

Postage rates for anything above 40g will remain unchanged as SingPost has said it would absorb the GST increase for such items.

Just six months ago on Dec 18, postage rates went up by 9 per cent for domestic mail up to 20g, from 23 to 25 cents, and up to 57 per cent for international mail zone 3.

On Feb 3, 2004, SingPost raised rates by 5 per cent from 22 to 23 cents, to offset a 1-percentage-point ST increase on Jan 1 that year.

In other words, it raised domestic mail rates by 5 per cent in 2004, and 4 per cent this year, to disproportionately offset a 1- percentage-point and 2-percentage-point increase in GST respectively.

According to reports, SingPost's profits grew by 13.3, 11 and 6 per cent for the 2006/07, 2005/06 and 2004/05 financial years respectively.

This means that the pace of profit growth was 21 and 83 per cent respectively.

The Committee Against Profiteering (CAP) was silent when this issue was raised in 2004 and 2006. Will it continue to do so now?

SingPost should be directed to increase the rate for just one mail class, to offset the overall GST increase it incurs for all mail classes.

Instead, it raised rates by several times more than the actual GST increase for the most used mail (domestic mail up to 20g and 40g). I understand that this class accounts for the highest proportion of its volume and revenue.

Now that we have a Competition Commission of Singapore, and SingPost is essentially a monopoly for domestic mail services, will it look into SingPost's pricing policies, too?

TODAY, Tuesday, 19 June 2007

Reply by Tay Poh Choo,

Vice-President (Corporate Communications/Customer Service),

Singapore Post Limited

No revenue increase from rise in mail rate

I refer to the letter by Mr Leong Sze Hian, "A puzzling hike in domestic mail rates" (June 13).

As a GST-registered company, SingPost collects Goods and Services Tax (GST) on behalf of the Government. In this exercise, we would like to assure the public that there will be no increase in revenue for SingPost.

Given our low local postage prices, 1 cent is the lowest possible and practicable adjustment to account for any GST increase. More than 96 per cent of our 1st Local stamps are sold at the post office counter in booklets or complete sheets whose prices will reflect the exact 2-percentage-point GST increase.

To ensure that we maintain a revenue neutral position, SingPost will absorb the 2-percentage-point GST increase for all other local weight-steps.

We will also return 1 per cent of the franked postage to franked mail customers from July 1.

We thank Mr Leong for the opportunity to clarify.

TODAY, Monday, 7 April 2008

Letter by Leong Sze Hian

Rice price increase not a licence to overcharge

I refer to media reports about the increase in the price of rice, and fears of a shortage in supply.

It was reported that a chicken rice restaurant had raised the price of a plate of chicken rice from $3 to $3.50 because the price of rice has increased from $57 to $65 per 50 kg.

If it uses 150 kg of rice per day that means that the restaurant is selling about 2,250 plates of rice a day (I assumed the restaurant uses about 67g of rice per serving).

Therefore, raising the price of chicken rice by $0.50 results in an increase in revenue of about $1,125 a day ($0.50 times 2,250 plates), or $33,750 a month. But the restaurant pays only $24 ($8 increase multiplied by three 50 kg bags) more for rice over the same period. So, the increase in price is about 47 times the increase in the cost of rice.

I understand that the Committee against GST Profiteering has yet to take any business to task for profiteering. Surely, this is one case that should be looked into.

Perhaps these restaurants could switch to cheaper house-brand rice instead?

Even then, I believe supermarkets still make a profit on house-brand products such as bread and rice.

Perhaps supermarkets that are cooperatives could sell such staple food items at cost to help Singaporeans tide over these difficult times, especially with inflation hitting a 26-year high?

TODAY, Friday, 11 April 2008

Reply by Lim Bee Khim

Director, Corporate Communications

Ministry of Trade and Industry (MTI)

Profiteers beware

Rising costs are no excuse to overcharge

We refer to Leong Sze Hian's letter "Rice price increase not a licence to overcharge" (April 7).

We view the issue of profiteering seriously. We will investigate any cases of alleged profiteering reported to us. If necessary, we will publicise them.

Thus far, the MTI has not received any complaints of businesses profiteering from the recent increase in the price of rice.

Consumers who suspect or are aware of any such cases can call our hotline at 1800-884 4478.

Merchants, including the restaurant operator cited by Leong Sze Hian, should know that they compete with large number of restaurants offering the same or similar services. When one restaurant raises prices, it must be prepared to lose customers to those that don't.

While we cannot stop any merchants in the free market from adjusting prices upwards or downwards, we believe strong competition, with many buyers and sellers, is the best way to bring about the best prices for consumers.

We urge merchants to conduct their businesses responsibly and not attempt to profiteer on the pretext of rising costs. Consumers should also exercise their choice to stretch their shopping dollar.

TODAY, Weekend, 25~26 July 2009

Article by Esther Fung

Surely not a sign of the times?

More and more bankrupts are getting discharged – but what does this mean?

When times are bad, few would bat an eyelid if they were told there has been a spike in bankruptcies.

But in Singapore, that doesn't seem to be the case, with the number of bankruptcies in the first half of this year – 1,236 – remaining at about the same level compared to the period of January to June last year.

Instead, in the past few months, there has been a sharp jump in the number of people being discharged from bankruptcy.

According to the latest available data from the Insolvency and Public Trustee's Office (IPTO), the months of April, May and June saw discharges of 375, 428 and 343 respectively – significantly higher than last year, when bankruptcy discharges ranged from 81 to 271 monthly.

Based on the first six months of this year alone, the total number of discharged bankrupts was 1,724, surpassing the 1,500 for the whole of last year and 1,626 in 2007.

What's behind the recent spike in bankruptcy discharges – a trend, which seems to be out of sync with the bad times?

In response to Weekend XTRA's queries, IPTO said: "In deciding whether or not to discharge a bankrupt, the Official Assignee (OA) considers various relevant factors, including the cause and period of insolvency, the size of debt and the level of bankrupt's cooperation. The recent discharges are cases that have been found suitable."

An OA is appointed by the courts to manage a person's affairs after he is declared a bankrupt – not only to ensure that he does not stash away income or assets, but also to help him obtain a discharge.

Observers attributed the spike to increased awareness among bankrupts on what they are entitled to if they have been cooperative, which includes servicing their monthly debt repayments on time.

"Perhaps, more are also coming forward to ask to be discharged. It's a matter of education," said Mr Chan Wai Mun, a solicitor from Colin Ng and Partners.

The OA may, using his discretion, discharge a bankrupt after a period of three years in bankruptcy and if the debts do not exceed $500,000. for those with debts above $500,000, it is up to the creditors to agree to the annulment of the bankruptcy order.

Changes in the bankruptcy Debt Repayment Scheme (DRS) – which took effect on May 18 – could have also accounted for the spike in the same month since the new rules raise the ceiling for bankruptcy applications, making things easier for debtors, said observers.

Previously, those with debts of more than $10,000 faced bankruptcy.

With the DRS, a person with a debt of under $100,000 may be placed by the court under a repayment plan of three or five years, without being made a bankrupt.

This, in turn, means that the debtor would not be subject to restrictions applied to bankrupts, such as restrictions on travel or managing a business.

Another reason for the jump in discharges may have to do with bankrupts becoming "more cooperative", such as making prompt debt repayments, making it easier for OAs to do discharge, said Mr Leong Sze Hian, president of the Society of Financial Service Professionals.

"Creditors could possibly be more lenient now, especially with the implementation of DRS," said Mr Leong, who offers financial counselling for bankrupts.

As of end May, there remained 26,116 un-discharged insolvent persons in Singapore.

Generally, insolvent persons can be discharged with an annulment of the bankruptcy order, or get discharged by the OA or the court.

Mr Loh (not his real name), who has been a bankrupt for seven years after his failed stock trading left him with a $500,000-debt, hopes to get discharged in another three years.

The 50-year-old Mr Loh, who is now self-employed, said he has been consistent with his repayments. Recently, he heard that a friend was discharged from a debt of $1.2 million after some 10 years. "I hope this is a precedent for me as well," he said.

Transportation

Today, Friday, 7 February 2003

Letter by Leong Sze Hian

Bad tactics

Car dealers should explain price hikes

I refer to media reports that car dealers are raising the prices of new cars owing to surging demand following the relaxation of the policy on car financing.

The increase in demand is a result of economies of scale, which reduce car dealers' costs and boost profits.

Consequently, prices should come down, if not remain constant. Instead, they have increased by as much as 10 per cent in just a few days.

I would like to ask car dealers to explain to consumers why they decided to raise prices at this time.

I think one possible reason is that they want to take advantage of the rise in demand, and are charging what they think the consumer will bear.

While buyers may be thankful that they are no longer being asked to make a 30 per cent down payment (or just 10 per cent), the higher prices mean they are still effectively making 10 to 20 per cent down payment.

In countries such as the United States, such tactics by retailers likely would not occur, as consumer advocates such as Ralph Nader would come out strongly against them with the media's support.

Chances are, this would lead to large scale consumer protests against the retailers concerned.

Unfortunately, consumer activism is somewhat lacking in Singapore.

I understand that a barbecued minced pork shop in Chinatown, for example, charges higher prices over the Chinese New Year and yet still manages to attract huge numbers of customers.

In the current economic downturn, it seems that the prices of many goods and services – public and private – are increasing.

I understand that used car dealers have said that the new financing policy could negatively affect their sales. Perhaps now is the time for them to fight back with lower prices.

This might also be an opportune time for Singaporeans to wage a silent protest – to stay away from such retailers – so that other businesses will think twice before raising prices for no good reason.

TODAY, Friday, 15 October 2004

Letter by Leong Sze Hian

Scrapping cars after 5 years is a waste of money

I refer to the report, "COE prices plummet, but many buyers remain cautious" (Oct 8).

The Graduated Parf (Preferential Additional Registration Fee) Rebate for cars declines from year six, until it hits zero after 10 years.

Why does Singapore's private transport policy seem to encourage scrapping cars after only five years?

Is it fair for one, firstly, to not get a cash refund (one gets a Parf/COE rebate certificate instead); secondly, to have incur costs, time and effort to find someone else to buy over your certificate at a discount; thirdly, to have to pay the Land Transport Authority (LTA) a $10.50 fee to split your certificate into smaller value certificates and fourthly, to have to pay the LTA a $10 fee to transfer it to another person if you do not intend to use it?

The LTA collects billions a year from the COEs alone, so why does it collect extra fees for the rebate certificate too? Would it not be better if cash is paid for a deregistered vehicle, instead of a certificate?

By having a certificate, it artificially creates a secondary market for a commodity that need not exist and creates inconvenience, costs, delays, and risks to the consumer.

Last year, the number of deregistered cars increased sharply from 83,536 in 2001 to 109,710.

If each car scrapped has a value of, say, $5,000, the sum "destroyed" in a year is about $548 million.

Money spent on new cars and lost due to scrapping, is money that could have been used or set aside for other purposed, like accumulating funds for retirement. Can we continue to afford such wastage?

TODAY, Wednesday, 20 October 2004

Letter by Soon Kim Hock

Need to replace cars puts undue burden on low-income group

Leong Sze Hian's letter, "Scrapping cars after 5 years is a waste of money" (Oct 15) offers food for thought.

This vehicle policy, the only one of its kind in the world, was apparently introduced to enable the authorities to maintain a reasonable number of vehicles on local roads, mainly to prevent traffic jams.

It has worked well, but at what cost?

Every vehicle in Singapore is imported. Leaving aside the fact that this puts a drain on people's finances and enriches foreign countries, has the plight of lower-income earners and retirees who cannot afford to replace their vehicles every 10 years been taken into consideration?

Except for the rich, most people have to take out loans to buy new cars, not any insignificant financial burden on the average wage-earner.

Our roads are good. In a city-state such as ours, cars do not wear out easily. As periodic checks and inspections are mandatory, where is the danger of older vehicle breaking down on our roads and causing jams?

If the owner of a 10-year-old car spends a large chunk of his savings to renew the Certificate of Entitlement because his car is still certified as road-worthy, is it necessary to impose further annual road tax increases for driving such cars, not to mention the additional cost of yearly inspections?

TODAY, Friday, 22 October 2004

Reply by Han Liang Yuan

Senior Manager (Corporate Communications)

Land Transport Authority

I refer to Mr Leong Sze Hian's letter, "Scrapping cars after 5 years is a waste of money" (OCT 15), and Mr Soon Kim Hock's letter, "Need to replace cars puts undue burden on low-income group" (Oct 20), on the Preferential Additional Registration Fee (Parf) scheme and the Vehicle Quota Scheme (VQS).

Policies such as the Parf scheme, road tax surcharges and more frequent inspections for older vehicles are used to ensure the vehicle population remains roadworthy.

These policies complement one another in minimising vehicle breakdowns and, hence, congestion on our roads and expressways. Inspections alone cannot guarantee the roadworthiness of vehicles.

The Parf scheme is an incentive programme to encourage the timely replacement of old cars. It was introduced as a discount on the Additional Registration Fee (ARF) for new cars. Buyers of new cars who de-registered cars that were less than 10 years old were eligible.

The scheme has been changed over time to provide greater flexibility for car owners. For example, in 1992, Parf benefits were graduated to make the system more equitable for owners who de-registered their cars ahead of schedule or had to scrap their vehicles after an accident, for example.

In 1998, car owners were allowed to transfer their Parf benefits to other parties to offset upfront taxes on new cars. As Parf remains a discount on upfront taxes, it is not refundable in cash.

The VQS is used to keep vehicle population growth at a rate that can be supported by our road network. The Certificate of Entitlement (COE) gives a vehicle owner the right to use the vehicle on the roads for 10 years. When the 10-year period expires, it is up to the owner to decide whether he wishes to continue using the vehicle.

The revenue from COE premiums, like all revenue from vehicle taxes, is channelled to the Government Consolidated Fund and used to finance public programmes for the benefit of all Singaporeans. We should like to clarify that LTA does not retain the value of any unused COE rebates.

I thank Mr Leong and Mr Soon for their feedback. Should your readers have further feedback or suggestions, they can contact us at 1800-CALL LTA (1800-2255 582).

TODAY, Weekend, 30~31 October 2004

Letter by Leong Sze Hian

Huge MRT profits question fare hikes

In 2002 when SMRT raised fares, its profits increased 27 per cent. Last year, it was 24 per cent and its first quarter profits this year increased by 175 per cent.

Now, its latest results for the six months ended Sept 30, show that net profit rose 68 per cent to $48.6 million for the interim.

Makes you wonder again whether the MRT fares hike was justified in the first place?

TODAY, Tuesday, 11 October 2005

Letter by Leong Sze Hian

Honesty's a lonely word in S'pore

While the bus operators' estimated $9-million figure in annual revenue loss due to fare evasion is questionable, it still highlights the issue of honesty and ethical conduct among commuters.

In a poll in April, when asked "which of the following factors does Singapore already have and should build on to make it a great global city", Singaporeans gave the lowest score of seven out of 256 points to "its honest, helpful people".

There appears to have been a proliferation of practice codes for all kinds of things: Maid agencies, furniture sellers and education providers and so forth. There are even multiple accreditation schemes for the same service or product providers.

More accreditation schemes and more complex practice codes may raise the costs of doing business, which may ultimately be passed on to consumers. And no matter how all-encompassing the code of scheme, they can never replace core ethical values.

Every week, the Consumers Association of Singapore talks about caveat emptor ("let the buyer beware") in a case study of a consumer being short-changed by a retailer in a different sector. There have been reports of unfair trading practices and fleecing of foreigners at foodcourts.

Why not try to achieve "let the seller be aware" (of ethics and moral values) instead?

Our children, I understand, have a compulsory subject on civics and moral education up to Secondary 3. Maybe we need to continue this in junior colleges, polytechnics and universities? And perhaps in the workplace too?

The implementation of the Singapore Accident Statement (SAS) in November 2004, I understand, has not gone very well. The main problem for the motor insurance industry is that too many drivers give vastly different accounts of the same accident. In contrast, in places such as Europe, most drivers tell the truth about how the accident happened. The success of schemes such as SAS depends on the honesty of all drivers.

Adam Smith, who wrote The Wealth of Nations, contended that "our conscience tells us what is right and wrong, and that is something innate, not something given us by lawmakers or by rational analysis".

Winning the rat race for money should not be the be-all for kiasu Singaporeans. In Born Losers: A History of Failure in America, Scott Sandage argues that the mid-19th century saw a redefinition of failure, from something describing a lousy business to something that defined a whole like.

We need concerted national efforts to downplay the focus on winning materially at the expense of all else. It is ironic that Singapore is world-class in so many things but seemingly lacking in basic ethics and moral values.

TODAY, Wednesday, 2 August 2006

Article by Tor Ching Li

Bus, train rides may cost two cents more

It could cost up to two cents more per bus or train trip on average come October, now that both public transport companies have applied to the Public Transport Council (PTC) for a fare increase.

While not giving details of the proposed fare adjustments submitted yesterday, both SBS Transit and SMRT will have to keep their fare increases capped at 1.7 per cent of the current fares, according to the PTC's fare adjustment formula.

This is lower than 2005's 2.4-per-cent cap which saw fares go up in July last year by one to three cents for rides paid for using the ez-link system, and 10 cents for commuters who pay by cash on buses or who buy single-trip tickets on trains.

SBS Transit said most adults travelling on their buses "will see only a one-cent or two-cent increase for each trip". Only 3 per cent of all trips will see a three-cent increase. SMRT said the maximum fare hike would translate to an average fare increase of two cents per trip.

Both transport operators said that the proposed fare hikes would not affect children and student fares on concession passes or using ez-link cards. SMRT added that there would be no increase for single-trip ticket fares and cash fares on its buses.

Depending on the final fare adjustments, both companies said they would help lower-income households adjust through various schemes, such as the Public Transport Fund.

The continued rise in fuel costs – which rose by 40 per cent over the past year – was cited as a reason for the fare hikes.

SBS Transit said the maximum fare adjustment would add $9.9 million to its full year's revenue – providing only a partial relief for the $30-million increase in fuel costs last year. Diesel costs for SMRT rose from $24.1 million last year to $33.8 million this year.

The requirement to use ultra-low sulphur diesel as of last year also added $2.2 million to fuel costs, according to SBS Transit, making its $101=million energy costs, the largest component – or 18 per cent – of its total operating costs.

Despite higher operating costs, however, both companies remain profitable.

SBS Transit posted net profits of $55 million in the first quarter of this year and SMRT recorded a net profit of $27.4 million for the same quarter – 6.8 per cent more than the same period last year. This was due to increased train-ridership as well as growing retail rental and advertising income.

Said SBS Transit spokesperson Tammy Tan: "While the company is still profitable, a fare adjustment is necessary to ensure that it continues to earn sufficient money to be able to invest in its operations, so as to improve its services.

"Buying new buses, for instance, cost money."

Last year, SBS Transit spent $150 million on 150 new air-conditioned, double-deck buses which are also wheelchair accessible.

It will be adding 50 more such buses at a cost of $25 million this year.

PTC chairman Gerrard Ee said that the council will study the proposed fare hikes and come to a decision by early next month.

"We will try to minimise the impact on the consumers, bearing in mind they come from a wide range of household incomes," he said.

TODAY, Thursday, 3 August 2006

Letter by Leong Sze Hian

Peg fare hikes to service

Penalise operators that don't meet service standard

I refer to the report, "Bus, train rides may cost 2 cents more" (Aug 2).

Imposing fines on transport operators may result in the additional costs of meeting the new service standards and fines being passed on to commuters. A more effective deterrent may be to peg some element of failure to meet service standards to the formula for fares adjustment.

For example, service lapses could equate to a slight drop in the 50 per cent of wage increase and inflation in the fares adjustment formula, or a reduction in the maximum 1.7-per-cent fare increase allowed.

The rising profits of the transport operators should also be taken into account.

With the recent increase in taxi fares, more people may take buses and the MRT. The revenue and profits of transport operators may rise further.

So, I suggest that time be given to assess the impact of the taxi fare increase, before the Public Transport Council (PTC) makes a decision on the fare increase application.

The main reason given for the fare increases is the rising costs of diesel fuel.

Why not consider reducing the tax on diesel? The fact that the cost price of ultra-low sulphur diesel has fallen substantially since April should also be considered.

The fare adjustment formula is pegged to the change in average wages and inflation. I suggest that adjustments be considered to take into account the declining wages and relatively higher inflation of the lower-income group, which has little choice but to take public transport.

Instead of taking the CPI and wage increase of the entire population, more weightage should be given to reflect the CPI and wage change of those who have to use public transport.

In the final analysis, perhaps, the ultimate measure of whether the fare adjustment formula is fair is whether transport operators' profits continue to rise.

The formula enables operators to keep increasing fares and profits because rarely has there ever been a year when both average wages and inflation have declined.

TODAY, Thursday, 3 August 2006

Letter by Lai Yew Chan

Public transport operators have things their way

The proposed hikes have set me wondering whether the present business model of public transport is the best for us.

For one thing, the vagaries of the market are virtually non-existent for the public transport operators in the present model. This is most evident in the fact that commuters have no alternative but to absorb any fare increase thrust upon them.

Moreover, variations faced by typical businesses are kept minimal by formulaic price setting and barriers of entry.

In addition, the market dynamics for alternative modes of transport such as taxis and cars are well regulated and correspondingly predictable – a natural advantage to the public transport operators.

Even service standards are set and audited for compliance by an external regulator, a privilege not ubiquitous among mainstream businesses.

Would such a paternalistic and deterministic model make our public transport operators competitive? Could modified versions that would serve us better?

Perhaps the PTC could enlighten commuters like me.

TODAY, Tuesday, 5 September 2006

Letter by Leong Sze Hian

(Re)counting cash and costs

Some figures cited by Comfort, SBS to justify planned fare hikes are puzzling

I refer to Roy Chan's letter "Shaped by business instead of consumers" (Aug 31) and reports that the Land Transport Authority is conducting a review of the public transport system – a move the Public Transport Council (PTC) has welcomed.

In view of this "first extensive" and comprehensive review of the public transport sector by consultants, does it mean the PTC may defer its decision on the fares increase until the review's findings are released next year?

The deputy chairman of the Government Parliamentary Committee for Transport said that "fundamental issues like whether operators should be government funded or publicly-listed should be reviewed".

In defending its application to increase bus and train fares, ComfortDelGro said it was incorrect to use the $200 million figure as "overseas operating profit now accounts for 42 per cent of total group operating profit". It was more meaningful to look at the profit of subsidiary SBS Transit instead, it said.

Some figures given by ComfortDelGro and SBS Transit to justify the fares increase application are puzzling. For example, for the quarter ended June, SBS' operating profit fell by 3.9 per cent to $12.1 million.

But according to its website, the half-yearly drop was only 0.7 per cent. Its operating profit rose 8.6 and 112.1 per cent for 2005 and 2004, respectively.

In any case, profit after taxation may be a more inclusive measure of a firm's financial results. In this regard, the company's quarterly profit after taxation did not fall at all and in fact raised 6.3 per cent half-yearly. For 2005 and 2004, its profit after taxation rose 5.1 and 158.6 per cent, respectively.

As to energy costs rising 40 per cent, the quarterly figure rose by 27.2, half-yearly by 36, and 31.2 and 36.7 per cent for 2005 and 2004, respectively.

So, how did it derive the increase of "as much as 40 per cent from last year"?

In any case, energy costs will generally always rise over time because of the increase in bus fleet size to cater to Singapore's growing population – not necessarily all due to a rise in fuel prices.

Manpower costs reportedly went up too, following a 3 per cent salary increase in January. Such costs increased by 3.9 per cent for the quarter, but its half-yearly increase was only 1.9, and actually declined by 1.1 per cent each in 2005 and 2004.

As of August 14, Comfort DelGro was ranked 17 out of 355 companies that had reported their half-year results for earnings with $103.1 million. SBS Transit also had the second highest "Dividend Yield" of 19 per cent and "1 Year Total Return" of 71 per cent.

Comfort DelGro has insisted that a fare adjustment is "necessary" to ensure that the company continues to earn sufficient cash to be able to invest in its business" – so as to improve its services and meet quality standards. But instead of just asking for fare increases, it could consider paying lesser dividends to shareholders and retain more earnings to invest in its business.

Likewise, SMRT Corp's total gross dividend for the financial year ended March of 7 cents per share - $84.6 million net of tax – represents 81.6 per cent of its net profit.

One stockbroking firm's investment research commented in a media report that with a current dividend yield of five per cent, SMRT Corp had "continued to endear itself as one of the better local dividend plays".

TODAY, Friday, 6 June 2008

Article by Channel NewsAsia

Road tax to fall from next month

The Land Transport Authority (LTA) will reduce the road tax for most vehicles from July 1, as it had announced earlier.

The road tax for cars, motorcycles, taxis and commercial vehicles will fall by 15 per cent. The road tax structure for electric and hybrid cars will be revised.

The LTA will also reduce the special tax for Euro-IV engines, which is paid on top of the normal road tax for these vehicles. Currently, the special tax is priced at four times the normal tax of a similar capacity petrol car. The new rates will be lower, calculated at $1.25 per cubic centimetre of engine capacity and subject to an annual minimum payment of $1,250.

For example, the 6-month special tax for a 1.6 litre Euro-IV diesel car will be cut from $1,488 to $1,000. And owners will also pay a reduced normal tax rate - $372 instead of $437 – for these vehicles.

The LTA said the revision was due to a reduction in carbon emissions by the diesel cars.

The revised rates will be indicated in road tax renewal notices and Giro payment schedules from next Monday, the LTA added.

More information can be found at www.onemotoring.com.sg.

TODAY, Monday, 9 June 2008

Letter by Leon Sze Hian

Are we really saving?

I refer to the article "Road tax to fall from next month" (June 6).

The Land Transport Authority (LTA) will be cutting road tax by 15 per cent from July 1. This comes after the recent increase of electronic road pricing (ERP) and installation of new ERP gantries.

If a motorist pays just 50 cents more a day in ERP charges, the total amount of about $183 a year may be more than the 15 per cent road tax reduction. For instance, the road tax for a 1,600cc car will be reduced by $131 from $874.

This may also have been the case, when road tax was last cut by 8 per cent nine months ago, as ERP was also increased just prior to the reduction.

I was rather amused to read in media reports in February, that although ERP charges are going up, most car owners stand to gain from the tax cut due to the fact that may do not pass any gantry – there are only 300,000 ERP transactions a day out of 3 million daily trips.

The logic of the above conclusion that car owners stand to gain may be flawed, because increased ERP charges totalling just $2.50 per week ($2.50 x 52 weeks = $130 a year), may be more than the average road tax savings of about $130.

Moreover, 300,000 ERP transactions a day out of 3 million trips may not mean that most do not pay ERP. What it probably means is that the 3 million trips were made by about 500,000 car owners. So, the majority of car owners who drive may be paying ERP.

Finally, that only 10 per cent of trips paying ERP daily may not mean most do not pay or stand to gain from the cut.

The estimated receipts for the fiscal year (FY) 2008 Budget is $2 million for motor vehicle taxes, $511 million for excise duties on motor vehicles and $33.4 million for traffic fines, excluding ERP revenue.

ERP commenced on April 1, 1998, and ERP revenue has risen from $80 million in FY 2001 to $86 million in 2005. It is now $98 million and is projected to increase to $168 million this year, because of the additional annual increase of $70 million from the ERP changes.

The writer is a representative of the Inter-American Economic Council, a non-profit corporation established to facilitate dialogue between the public and private sectors for the advancement of regional economic development.

TODAY, Wednesday, 9 July 2008

Article by Neo Chai Chin

Speeds up, with new ERP gantries: LTA

Traffic flow and speeds on roads along the Singapore River improved with the introduction of five new Electronic Road Pricing (ERP) gantries there on Monday.

Although the Youth Day school holiday could have been a factor, the Land Transport Authority (LTA) took the 30-per-cent drop in traffic volume and the 9- to 35-per-cent increase in vehicular speed as “encouraging signs” that the new gantries had been effective. Traffic speeds ranged between 22 and 26km/h, compared with sub-20kmh readings before the introduction of the new gantries, the LTA said.

With the operating hours of the ERP gantries in the Central Business District extended by an hour until 8pm, speeds with the area also improved between 6pm and 8pm. Vehicles could travel at 21 to 22 kmh, 9 to 15 per cent faster than before.

"Some have questioned if it is timely to raise ERP rates given the current economic situation," said LTA chief executive Yam Ah Mee. But congestion, if left unchecked will have a "negative impact on our economy" and result in gridlocked roads, he said.

The ERP has been effective in reducing congestion on expressways and within the city, said LTA in a news release.

For example, a new gantry on the north-bound Central Expressway introduced last November decreased traffic volume by 10 per cent and increased speeds by 50 per cent. ERP also improved traffic flow on Orchard Road, increasing speeds to 23kmh from 15kmh and decreasing through-traffic to 20 per cent from 30 per cent.

The LTA said yesterday that it would continue to monitor the situation closely.

TODAY, Monday, 7 July 2008

Article by Neo Chai Chin

Click here to save $2

New website helps drivers plan routes around gantries

For drivers who have lost track of changes to the Electronic Road Pricing (ERP) system and are clueless about new gantry locations and their graduated charges, help is at hand.

Online driving guide Oneshift.com has come up with an interactive map (which can be seen at www.oneshift.com/erp) displaying the ERP gantries in Singapore, including those that will come into operation today, next month and in November.

Users can click on a gantry for a pop-up speech bubble displaying its operating hours and charges. Using Google Maps technology, there will also be a tool that allows drivers to plot the route to their destinations.

"More often than not, people are unsure where the gantries are until they actually encounter them. By then, it's too late and they would have to pay," said Oneshift's founder and managing director Evan Lee, 32.

Oneshift, set up in 2006, is an online motoring magazine and its new function, launched on June 28, was a "natural progression" from the site's merchant database search function. It was also spurred on by the "mushrooming" of ERP gantries.

Going forward, more improvements are in the pipeline. These include enabling the pop-up bubble to move in tandem with any shifting of the map, allowing users to plat alternative routes to their destinations, and a function that tabulates drivers' ERP costs when they drive at a certain time of the day.

Oneshift is also in talks with advertisers to generate income from this service. Drivers who tried out Oneshift's gantry guide felt it was useful but needed tweaking to make it more intuitive and user-friendly.

"In its current state, I think it'll attract a limited audience. It's useful, but might not be useful enough to get people back because of the little interface foibles," said civil servant Soon YingJie, 27, who has dabbled in Web design.

"When I plot a route which uses the Central Expressway, it appears like I have to go through four gantries, when not all of them are for south-bound travel," said Mr Soon.

If the function tabulating total ERP charges and the option for self-plotted routes were added, he said he would "definitely use it."

Magazine editor Gayle Quah said she would use the guide before heading out of the house. "I've entered ERP zones and exited unknowingly, only to pay another two bucks to get in," said the 31-year-old, who drives to town twice a week.

TODAY, Weekend, 12~13 July 2008

Letter by Leong Sze Hian

Before an ERP gantry is set up …

Tell motorist where the route congestion is

I refer to "Speeds up, with new ERP gantries: LTA" (July 9) and "New ERP Gantries: Click here to save $2 (July 7).

The latter states that oneshift.com offers an interactive map displaying the ERP gantries in Singapore, including those that will come into operation in future.

As I understand that it takes just a few days to construct an ERP gantry: Why does the Land Transport Authority (LTA) set up ERP gantries five months or more ahead before they become operational?

Why not tell Singaporeans where there is congestion, so that drivers can try to avoid these road sections at certain times? Then, perhaps, there may be no need to build an ERP gantry after all.

Instead of constructing ERP gantries in advance, the LTA should tell people which roads are congested, so that drivers can try to avoid them.

If the area still gets congested, the LTA can then set up the gantries. If people can avoid the congested roads, there may be less need for ERP to control congestion. For all you know, speeds may even go up, without ERP gantries – it's like avoiding an imaginary ERP!

The LTA had said that a day after the new gantries went into operation; traffic speed had fallen by 30 per cent, to an average of 22 to 26kmh, compared to the 16 to 24kmh before. This means that the average speed had improved from 20 to only 24kmh. I believe that typically, traffic volume drops whenever a new gantry is in operation, but that may return to normal over time.

I would like to suggest the LTA reveal the statistics on all ERP gantries, so that we can continuously monitor how traffic speeds have changed – pre and post-ERP.

TODAY, Wednesday, 10 December 2008

Letter by Leong Sze Hian

Fuel oil prices are falling, so why tariffs are still high?

I refer to the reduction of the electricity tariff by 25 per cent in January.

According to the Energy Market Authority's (EMA's) chart on fuel oil price versus the low tension tariff, the tariff was $22.62 in January this year when fuel oil was $96.64.

Since the tariff is pegged to fuel oil, why is the tariff for January next year, at $22.93, higher than that in January this year, when fuel oil is now lower at $92.99 compared to $96.64 in January this year?

This means that year-on-year, despite a 4-per-cent fall in fuel oil, the tariff increased by 1 per cent. So, is the tariff pegged to fuel oil or not?

The 25-per-cent decrease is relative to October's 21-per-cent increase.

Against the tariff of $23.88 in April, the decrease is only 4 per cent, and is still 1 per cent higher than January's $22.62.

With all the Utilities-Save (U-save) rebates to help Singaporeans, why has the number of households in arrears increased from 3,600 in 2006 to 5,090 in October, and the number on the Pay As You Use (PAYU) meter scheme also increased from 12,200 in December 2006 to 13,243?

TODAY, Tuesday, 16 December 2008

Reply by Jenny Teo

Director (Corporate Communications)

Energy Market Authority

Doing the power math

In “Fuel oil prices are falling, so why are tariffs still high?” (Dec 10), Mr Leong Sze Hian asked why, despite a 4-per-cent fall in the forward fuel oil price from $96.64 per barrel in January 2008 to $92.99 per barrel in January 2009, the electricity tariff over the same period increased by 1 per cent.

The electricity tariff comprises both fuel and non-fuel cost components. While the fuel cost has come down due to the decline in fuel oil price, the non-fuel cost, which includes the operating and capital costs of the power plant, has increased due to inflation. This increase in the non-fuel cost more than offsets the decline in the fuel cost, which explains why the overall tariff in January 2009 is slightly higher than that in January 2008.

Mr Leong also highlighted the increase in the number of households in arrears and on the Pay-As-You-Use (PAYU) meter scheme, and questioned the effectiveness of the Utilities Save (U-Save) rebates. In fact, with the recent disbursement of U-Save in November, the number of accounts in arrears has dropped to 3,099, below the level of 4,367 in December 2006. The take-up rate of PAYU meters has also reduced to fewer than 50 new users per month, from 300 to 500 new users each month in 2006.