

Executive Summary

AIM

1. The Land Work Group (LWG)'s aim was to review and suggest improvements to optimise the use of scarce land resources, in support of Singapore's overall economic strategy. This involved:
 - a. Broad-level reviews of the optimal role played by the Government in the land sector;
 - b. Cross-sectoral measures to enhance the international competitiveness of land;
 - c. Sector-specific recommendations; and
 - d. Specific rules, regulations and practices to maintain a flexible environment that allows market forces to work more effectively.

CHALLENGES AHEAD

2. The international environment is one of increased globalisation and competition. Competition will intensify with the greater integration of newer players such as China and India, with their abundant natural resources and cheaper labour into the world economy. Looking ahead, the challenge is to build on the strengths of the existing land system, while making modifications to better position Singapore for the future.

ROLE OF GOVERNMENT

3. The land sector functions through a public-private sector partnership. The Government provides a more strategic orientation, while the private sector provides an added degree of responsiveness to changing market conditions. The Government affects the market by:
 - a. Intervening directly through its land-related action agencies (e.g. HDB, JTC, URA and SLA).
 - b. Influencing land supply, as the largest supplier of land in Singapore, releasing land through the Government Land Sales (GLS) programme.
 - c. Managing the land regulatory framework, which include policies affecting land pricing and the efficiency of the market.
4. The LWG supports allowing the private sector as much leeway as possible to respond to changing market circumstances. In principle, the **Government should minimise participation in markets where there are no developmental, strategic or socio-political considerations.** This minimises the crowding out of the private sector, and increases the available competitive space.
5. As a land supplier, the **Government should develop a single mechanism to regulate the supply of land and property into the market.** This ensures that the release of land and properties from the various Government agencies is co-ordinated. Separately, the Government can also affect effective land supply by its rules, regulations and policies. While more policy flexibility is often positive from an issue-specific perspective, taken together, such flexibility can have a significant cumulative impact. **In managing the land regulatory framework, the Government should therefore take into consideration the cumulative, economy-wide impact of policies on effective land supply.**

ENHANCING INTERNATIONAL COMPETITIVENESS

6. International competitiveness of land is a function of its **value added.** Hence,

competitiveness can be improved by enhancing land's ability to **create value** as well as **reducing its costs**. This dual approach, instead of focussing narrowly on the latter, is needed to sustain an increasing standard of living for Singaporeans.

A) Value Creation

7. Some recommendations to increase the value created from land resources are:
 - a. **Facilitate strategic developments by advancing transportation infrastructure.** The sooner strategic developments such as One-North, Jurong Island, Tuas and the proposed Business Financial Centre (BFC) are fully occupied, the greater their contribution to the wider economy. Presently, investments in transport infrastructure (e.g. rail or buses) are made when there is sufficient passenger volume to cover operating costs. In the interim, the attractiveness of the development is reduced, companies incur costs providing transportation for their staff, and take-up rates are slower than they otherwise would be. Factoring in the earlier realisation of the economic contributions from such strategic developments, there are sound reasons to make transportation infrastructure investments earlier than at present.
 - b. **Prioritise the sale of MRT sites in the GLS programme.** Wherever possible, the Government should continue to prioritise the sale of MRT sites as part of the GLS programme. This encourages the fuller utilisation of MRT lines. The concurrent development of the site with the MRT line also affords additional efficiency gains by allowing developers and the LTA to work out a mutually acceptable support structure and urban design, avoiding duplicative work and lowering construction costs.
 - c. **Broaden and deepen capital markets.** The development of real estate securitisation e.g. via real estate investment trusts, REITs and other financial instruments that unlock value from what are essentially illiquid assets should be supported. This generates additional economic activity as institutional and foreign funds enter the Singapore market and as the fund management service in Singapore develops. Individuals will also have a wider choice of available investment instruments.
 - d. **Explore new ways of selling land.** Innovative ways of selling land such as options, should be explored as in the case of the proposed BFC. Such arrangements can facilitate economic activity by affording market participants better risk management, increased operational flexibility and greater control over cashflows.
 - e. **Widen the initiative to put vacant State properties and land to interim use.** Vacant State properties and land not required for development in the short term should be let out to encourage innovative uses or to meet demands presently not adequately met by the market. Vacant lands within or near housing estates could be put to sports, recreational or community uses to add more life and vitality to the area and to encourage greater community bonding.

B) Cost Reduction

8. Some recommendations to reduce land and occupation costs are:
 - a. **Inject flexibility in Singapore's land tenure system to match user needs.** Land users should be offered the option of shorter leases that better match their needs. Shorter leases also reduce the upfront land costs that are payable.

- b. **Charge a time-based enhancement levy for businesses on temporary planning permission.** New business start-up costs can be lowered by allowing entrepreneurs to pay a pro-rated levy for temporary planning permission instead of the full development charge (DC).
- c. **Review property-related tax regime.** Business costs can be reduced by allowing property investment holding companies to carry forward losses; allowing interest income from the deposit of surplus funds to be offset against rental losses; extending building allowances to hotel developments for tax assessment purposes, similar to industrial buildings; and allowing interest income earned to be offset from the project development costs. Developers should also be allowed to carry back losses on an annual basis after Temporary Occupational Permit (TOP) is issued, instead of only after all units are sold. There should also be a clearer definition of the nature of gains (i.e. whether trading or capital) from the disposal of properties for greater tax certainty.

SECTOR-SPECIFIC RECOMMENDATIONS

A) Industrial Sector

9. For industrial land, Singapore's competitors are international. Singapore land has commanded a premium compared to other locations and this can be attributed to factors such as a stable political and business environment and good infrastructure. To further enhance Singapore's competitiveness, the LWG makes the following recommendations:
 - a. **Price industrial land competitively.** Recognising that the competition for manufacturing locations is international, it is important for JTC to consider international prices when it sets prices, to make sure Singapore is not out of line with its competitors. This is only sustainable if the State sells land to JTC at internationally competitive prices. The Government also needs to ensure that sufficient industrial land is supplied to the market so that prices are not pushed up as a result of short-term land shortages.
 - b. **Adopt a Pay-as-you-use concept wherever feasible.** Land users should be allowed to pay for only the extent of land rights (e.g. GFA, "white" uses and tenure) needed, instead of the maximum development potential of the land, or a land tenure that is in excess of their requirements. Additional rights can be purchased as and when required. This will help lower land costs and avoid tying down valuable capital resources unnecessarily.
 - c. **Adopt a more responsive market-based approach for industrial rental policy.** With the shorter and less predictable business cycles in today's world, JTC should review the automatic escalation feature of its rental revision schemes and adopt a more market responsive approach.
10. These recommendations should be viewed together with those on land tenure flexibility and transport-led infrastructure, as a package to improve Singapore's industrial land competitiveness.

B) Services Sector

11. In this sector, Singapore's competitors are other global cities competing with us in areas such as financial services, health care and education. Our commercial and retail occupation costs do not appear to be out of line when compared to such cities. To further enhance Singapore's competitiveness, the LWG makes the following recommendations:

- a. **Support the development of a large integrated Business Financial Centre (BFC) for strategic reasons.** Within the GLS quantum, a master developer should have the flexibility to plan, design and phase the development of the project to match rapidly changing global needs. To help ensure the success of the BFC, the payment scheme should be flexible, and commitment sought from several suitable anchor tenants, before it is developed. The Government should also take a more proactive approach in managing the possible impact of decanting of existing companies within the CBD.
- b. **Adopt a more competitive land pricing framework for the exportable services sector.** To help position Singapore as a services hub, world class health and educational institutions should be encouraged to operate from Singapore. To facilitate their locating into Singapore, these institutions should be charged land costs comparable to what local public institutions pay, instead of prohibitive large upfront land premiums based on full commercial rates.

C) Residential Sector

12. Residential property costs can have a significant impact on economic competitiveness as housing costs affect the wage levels workers demand. In the Singapore context, 86% of the population lives in HDB flats. Hence, public housing policy has substantial social policy and economic competitiveness dimensions. The LWG suggests:
 - a. **Reviewing and rescoping the HDB's role in Public Housing.** Today, HDB has a wide-ranging role and performs a variety of functions in the provision of public housing. They include serving as the public housing authority (e.g. estate planning and policy formulation), developer (e.g. construction, allocation and sale of flats), building consultant (e.g. architectural design and engineering services), financier (e.g. provision of mortgage loans) and lessor (e.g. administration of lease). Where the private sector is able to perform those parts of the value chain, without compromising the achievement of social policy objectives, the HDB should review its role. Rescoping the role the HDB plays creates more competitive space for the private sector and makes increased use of market forces to achieve more efficient outcomes. In the longer term, a more robust residential sector may develop, with the Government coming under less pressure to intervene in the market, by virtue of its rescoped role. A judicious balance should be struck between the social objectives of promoting a high homeownership policy and the economic implications of doing so.
 - b. **Use of a reverse tender mechanism in public housing development.** This is one area where the private sector can perform part of the public housing value chain without compromising social objectives. In the reverse tender mechanism, the Government specifies the maximum selling price for a flat, as well as some basic parameters governing the features of the flat. The contractors/developers bid for the right to build and sell the flats at no more than the pre-determined price. As the land and the flats are owned by the successful contractor/developer in the interim before they are sold, it is the private sector that bears the market risk, not the Government. This approach increases the competitive space for the private sector; injects more market flexibility and responsiveness in setting public housing supply and increases the variety of designs of HDB flats.
 - c. **Review the continued relevance of the Executive Condominium Scheme.** The EC scheme was intended to assist young Singaporeans to fulfil their aspirations of owning private residential property, and was introduced at a time when private property prices were spiralling out of reach of many young

Singaporeans. However, it created a separate sandwich housing class and added complexity into the housing market. With current market prices of low-end private property close to prices of new high-end HDB flats, the continued relevance of the scheme comes into question. Alternatives to achieving the objective of enhancing private homeownership, without the distortive effects of a separate housing class, should be explored. Possible alternatives would be to make available the EC subsidy directly to those purchasing private property or to review the eligibility of such families for the normal HDB flats.

- d. **Relax flat subletting rules.** HDB flat subletting rules should be relaxed, to offer a wider range of affordable housing options to different categories of income earners. It also affords a means of monetising the assets for those whose most significant asset is a property, hence helping to address the asset-rich cash-poor phenomenon.

13. **The Government should also undertake a fundamental review of the homeownership policy.** This study should examine the optimal mix of home ownership and rental, given their effects on areas such as entrepreneurial risk appetite, rate of family formation and having a more tangible stake in the nation's success. It should also examine the homeownership policy's effects on the extent of consumption of public housing, and whether it is optimal, taking into account wider considerations like adequacy of funds for retirement, upward social mobility and fostering a mindset of less reliance on Government intervention.

REVIEW OF SPECIFIC RULES, REGULATIONS AND PRACTICES

14. To maintain a flexible environment to allow market forces to work more effectively, the LWG suggests the following:
 - a. **Expedite review of the Land Titles (Strata) Act (LT(S)A).** The Government should expedite the review of the LT(S)A in order to facilitate the development of mixed-used developments such as the proposed BFC.
 - b. **Review the Planning Act.** The Planning Act should be reviewed to allow for longer tenancies (beyond 14 years) without requiring subdivision. This will better meet the emerging trend towards longer tenancies.
 - c. **Remove the Single Purpose Company (SPC) requirement for the development of GLS sites.** Instead of imposing the requirement for the setting up of a SPC (with its attendant tax effects) to develop a GLS site, the successful tenderer should be allowed to decide on the optimal structure through which to manage the project.
 - d. **Change Controller of Housing (COH) regulations.** COH regulations should be changed to give private housing developers more flexibility and, at the same time, to give private property buyers more information to support their purchase decisions.
 - e. **Review requirements for Qualifying Certificates (QC).** The Government should review the relevance of the QC requirement for companies undertaking residential property development in Singapore.
 - f. **Review procedures and guidelines used by the Street and Buildings Names and Advisory Committee (SABNAC).** The SABNAC should review its processes for granting of approvals for names of developments, with a view to

speeding it up, especially in situations where the initial application is rejected.

- g. **Grant more GFA exemptions to encourage the provision of communal areas for residential developments and common areas for commercial developments.** This can improve the quality and desirability of the living and working environment.
- h. **Provide incentives for developers to provide connectivity between buildings and public amenities.** With more linkages to transport nodes the attractiveness of the development is enhanced and there is overall benefit to commuters. As developers have to bear the cost of constructing these linkages, incentives e.g. waiver of TOL fees could be provided to reduce the financial burden.
- i. **Allow approved decanted floor space within existing commercial buildings to be converted to civic and community uses.** Demand for the different types of space change over time. Where owners are allowed to decant the office space and use the 'freed-up floor space quantum' to add retail space somewhere else within the same premises, instead of demolishing the decanted space, it could be released for compatible non-profit civic & community uses, subject to planning considerations and stringent evaluation of the impact of the additional floor space.

CONCLUSION

- 15. As land is a platform for other economic activities, these recommendations are also interrelated with the wider economy e.g. deepening of capital markets should be seen in the context of wider efforts to develop Singapore's financial services sector. Other recommendations have implications on each other. For example, putting vacant State properties to interim use should be seen in the context of a mechanism to regulate overall supply of land. Hence, the implementation of these recommendations should be carefully sequenced and co-ordinated, taking into account the implications on the wider economy.
- 16. In addition and more fundamentally, minimising the role of Government means that the private sector and the general public will have to change to a paradigm where they have to take on more responsibility and bear the risks of their own decisions.