

# *Singapore Government*

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### **SPEECH BY DPM LEE HSIEN LOONG AT THE OFFICIAL OPENING OF THE JTC SUMMIT 15 NOVEMBER 2000**

#### **Introduction**

1 I am very happy to join you this morning to celebrate the official opening of JTC' s new headquarters, The JTC Summit, and the launch of your new name and logo.

2 JTC has played a pivotal role in Singapore' s transformation from a third to a first world economy over the last three decades. Starting in the 1960s, when we first began to industrialise the economy, JTC has transformed the mangrove swamps of Jurong into the Jurong Industrial Estate that we know of today. More recently, together with EDB and many other government agencies, JTC conceived and built Jurong Island. It created an integrated petrochemical industry complex out of coral reefs and a scattering of small islands. Today, the name of JTC is synonymous with Singapore' s world-class industrial infrastructure.

#### **Need for Change**

3 But the world does not stand still. Globalisation and technology are completely changing the operating landscape, and forcing firms to fundamentally change their way of doing business.

4 The public sector, too, has to respond to these rapid changes. The Government has had to continually restructure itself to remain effective and relevant amidst the changing environment. We have spun off Statutory Boards from the Ministries, to give them more autonomy and flexibility in their operations. We have systematically devolved financial and personnel responsibilities which used to be centralised, to the Ministries, and from the Ministries to the Statutory Boards.

5 Many of our existing Statutory Boards combine both regulatory and operating functions. This was practical and workable in the earlier days, when the economy was smaller, and the functions performed by the Statutory Boards less sophisticated. But as the economy has grown, these services have become more complex. We have found it necessary to separate the functions more clearly, between the operating entity delivering the service and the regulatory agency supervising the industry. We have thus hived off and corporatised the operating functions of these Statutory Boards and, in some cases, privatised them. SingTel, for example, has been privatised with TAS becoming the regulator. In port operations, PSA has been corporatised with MPA as the regulator. For the power industry, we have Singapore Power and PUB, although besides regulating the electricity and gas industry, PUB is still the operator responsible for water supply.

6 As new issues and areas emerge which demand focussed attention, we are also merging existing Statutory Boards and setting up new ones. The Info-Communications Development Authority or IDA, for example, was established through the merger of two Statutory Boards – NCB and TAS – to formulate and implement policies for promoting, developing and regulating the communications and information technology industries. We will also be setting up a new Intellectual Property Office of Singapore or IPOS to focus on strengthening our IPR framework and increase Singapore's capability to develop IP as a strategic resource. In addition, we are considering merging four units in the Ministry of Law dealing with land matters, including the Land Office, into a new Statutory Board. This will enable us to better manage our scarce land resource and develop land policies to meet national needs.

### **Restructuring MTI Statutory Boards**

7 The work of restructuring, however, is never finished. We have to push on to ensure that the Government and its agencies are well positioned to meet the challenges of the globalised economy. This is particularly so for MTI, which

supervises a large family of Statutory Boards playing significant roles in our economy.

8 MTI has conducted an internal review of its Statutory Boards. It will be progressively restructuring them to make them more entrepreneurial and responsive to the market. This exercise will also empower Statutory Boards with the flexibility to attract, retain and incentivise talent.

### ***Corporatisation***

9 MTI's Statutory Boards perform a mix of private and public functions. But it is not satisfactory to combine two groups of distinct and sometimes conflicting functions in a single Statutory Board, which is subject to a single set of government rules. The inevitable result is that the Statutory Board can perform neither role optimally.

10 MTI will therefore be corporatising and eventually privatising functions within its Statutory Boards that are better performed by commercial entities. This will subject the corporatised unit to competitive market pressures and discipline. It will also make the Statutory Boards leaner and more agile, and focus their managements more sharply on their core functions of regulation and development.

11 MTI has already corporatised PUB. For the next step, MTI's assessment is that significant parts of NSTB, PSB and JTC can be corporatised and eventually privatised. PSB and NSTB are currently working out details for their corporatisation, which will be announced in due course.

12 JTC has also undertaken a fundamental review of its businesses and operations. The exercise to corporatise significant parts of JTC will commence soon. Jurong Port will be corporatised by the first quarter of next year – preparations are already underway. By the second quarter of next year, JTC's technical services will be corporatised and merged with the consultancy arm of JTC International, a JTC subsidiary. In addition, the real estate arm of JTC International, which manages overseas industrial park projects, will merge with Arcasia Land, another wholly-owned JTC subsidiary which undertakes specialist industrial park development in Singapore. This will strengthen the subsidiaries' operations, both locally and overseas.

13 After this restructuring, JTC's staff strength will shrink to about half its present size of 1400. The result will be a lean and agile JTC. JTC will then focus

on core functions, particularly industrial land-use planning and developing industrial properties.

### ***Management Contracts for Statutory Boards***

14 Another innovation that MTI has studied is the use of management contracts to manage its Statutory Boards. These contracts will specify clear outcomes and deliverables, including normal targets which are reasonably achievable, and stretch targets that can only be achieved by exceptional effort or major breakthroughs. Statutory Boards will be allocated resources based on these outcomes.

15 Management contracts will set out clearly the core responsibilities of Statutory Boards, and MTI's expectations of them. With this shared understanding, MTI can give the Statutory Boards a freer hand in setting their own human resource policies. Each Statutory Board can then decide on its staff profile to fulfil its specific mission. It will also be allowed to work out its own package of rewards and incentives, depending on how well it achieves the targets in the management contract.

16 Statutory Boards are not quite commercial, for profit entities, or else they would have been corporatised. But neither are they government departments. It is therefore important to give them the right framework of rules and targets, the appropriate degree of flexibility and autonomy, and the incentives to take calculated risks and innovate, in order to achieve these targets. Otherwise all the exhortations to Statutory Boards to be less conservative and risk averse will be in vain.

17 Implementation of management contracts, however, will not be easy, particularly for government agencies. Not everything that can be measured is important, and not everything that is important can be measured. We may be able to set out the mission of a statutory board in a formal document, but we cannot easily distill the ethos, the sense of public service, or the spirit of being part of Singapore Inc. into a mission statement.

18 Other countries have implemented management contracts in the public sector. They have sometimes found that it has untoward side effects, like a "silo mentality" where management attention is excessively narrow and inter-agency cooperation compromised. Nevertheless, management contracts are a useful idea worth trying out. Our aim is not to achieve a perfect system, but to improve on the status quo. A clear statement of goals and priorities will help to focus management

attention. We will need to get the terms of the contract right, to specify the correct performance objectives, and the appropriate rewards for achieving these objectives. The objectives must not be too narrow, and the rewards should not be excessive, or else the management may be induced to maximise these indicators at all costs, even at the expense of Singapore' s overall performance.

19 MTI will be introducing management contracts on a trial basis for three of its Statutory Boards. JTC is working with MTI on a management contract, and is targeting to implement the system in the next financial year. Its performance indicators will cover areas such as land use productivity, value created for the economy, customer service, and human resource management. NSTB and EDB are also working out management contracts with MTI. Based on experience with this first group, MTI will refine the system, and consider extending the use of management contracts to its other Statutory Boards.

### **Conclusion**

20 Going forward, MTI and its Statutory Boards will have to continually examine their surroundings, and update existing ways of doing things. JTC, for example, will have to move from its traditional role of merely building factories to creating vibrant communities of industry and people, and from predominantly single-use industrial developments to a balanced mix of multi-use developments. Given the fast changing industrial landscape, JTC' s land-use planning approach – its masterplan and land use zoning plans – will have to be highly flexible and quick to adapt to changes in industry, in technology, and in the external environment.

21 MTI' s exercise to restructure its Statutory Boards will help to position them for the next phase of our economic development. I am confident that JTC and the other Statutory Boards will rise to the challenge, and further upgrade the high standards of public service that have helped make Singa-pore what it is today.

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