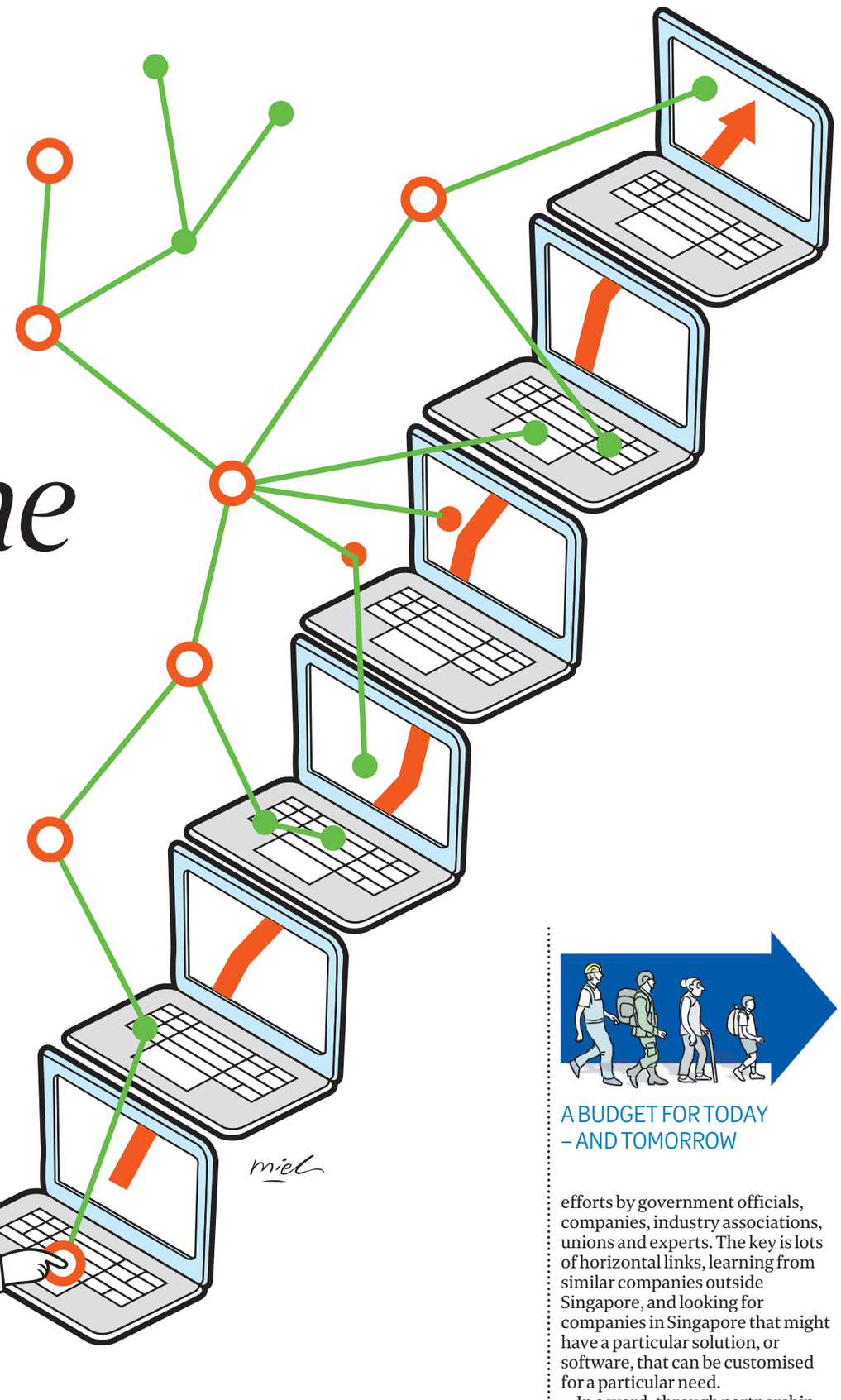
Budget 2017

Commentary

Feeling the way to the future, one step at a time



No blueprint for uncertain road ahead, only 'live' plans of Industry Transformation Maps

Chua Mui Hoong

Opinion Editor

Every Budget plans for the future. But in Budget 2017 especially, the future it wants Singaporeans to work towards together is very much a work in progress, and the road ahead a particularly uncertain one.

This year's Budget was always meant to be viewed in tandem with the Committee on the Future Economy (CFE) report and looking at both together helps one piece together a picture of how Singapore Inc is meant to get from today to that uncertain tomorrow.

To recap: The CFE report outlines Singapore's place in a volatile future. It says that to be future-ready, Singaporean workers and companies need to deepen skills, strengthen enterprises, build international connections, digitalise and develop a vibrant city.

How to do this? Deputy Prime Minister Teo Chee Hean summed up the CFE report on his Facebook page in a useful post three days ago, saying there are two implementation strategies: Via the Industry Transformation Maps (ITMs), and via a spirit of partnership together.

At the heart of that journey to the future are the ITMs for 23 sectors, to boost innovation and productivity. Whether Singapore remains business as usual, or becomes more productive, innovative and a more fun place to live in – depends in large part on how those ITMs transform life as we know it in Singapore.

ITMs for six sectors have been launched, and the rest will be rolled out this year. To get a glimpse of the transformative power of those road maps, consider the food services sector. Singaporeans would have noticed the rapid rise of delivery apps that work with restaurants across the island to bring food to your home, the increasing use of iPad menus that do away with the need to get wait staff to take orders, and the seemingly endless rise of food-related start-ups that leverage on technology and new food-preparation methods.

In logistics, another sector with an ongoing ITM, there are plans for a nationwide system of lockers – for all those shopping online – so you don't have to stay home to await a delivery.

Plans are afoot too to consolidate truck delivery to malls. Each day, about 4,000 trucks perform 20,000 delivery trips, taking up 25 per cent of road space. Can logistics firms coordinate delivery – so that goods for different retailers can be picked up from warehouses and sent to the same mall, rather than have multiple trucks sent to the same mall? This already happens in Japan.

A government study suggested that such a system can yield manpower savings of 40 per cent, shorten waiting and queueing time for deliveries by 65 per cent and cut the number of trucks on the road by 25 per cent.

How are these interesting ITMs developed with such granularity? Through painstaking and joint efforts by government officials, companies, industry associations, unions and experts. The key is lots of horizontal links, learning from similar companies outside Singapore, and looking for companies in Singapore that might have a particular solution, or software, that can be customised for a particular need.

A BUDGET FOR TODAY – AND TOMORROW

In a word: through partnership. Finance Minister Heng Swee Keat stressed that these ITMs are not top-down blueprints, but are "live" plans to be adjusted along the way. Indeed, the "I" in ITMs might better stand for iterative.

The other sectors for ITMs – that include healthcare, education, infocomms technology and media, energy and chemicals, aerospace, cleaning, real estate – cover 80 per cent of the economy.

As a consumer, and a worker, I am rather looking forward to seeing how the remaining ITMs will unfold. Will there be laundry sorting and folding robots? Location-based property apps that tell you which homes are open for inspection as you near an area (already ubiquitous in Australia)? Data-mining companies that can help newspapers monetise eyeballs?

Apart from the ITMs, other strategies in the CFE were also fleshed out in this Budget report.

For example, on the need for companies to digitalise, a new initiative called SMEs Go Digital will see the Info-communications Media Development Authority work with Spring and other agencies to develop industry digital plans to help SMEs improve productivity, including in retail, food services, logistics and cleaning.

On the need for companies to develop international links, a $600 million international partnership fund will co-invest with Singapore-based firms to help them scale up globally.

A Global Innovation Alliance to be sited in innovation hubs around the world will run programmes for tertiary students to expose them to start-up opportunities, for entrepreneurs to link them with investors, and for local companies to link up with innovative foreign firms keen to test-bed products in Singapore and the region.

To build talent, a $100 million initiative encourages companies to groom Singaporean business leaders. In all, $2.4 billion will be set aside over the next four years to implement the CFE strategies. The other funds include: $150 million for the Public Sector Construction Productivity Fund, a $500 million top-up to the National Research Fund and a $1 billion top-up to the National Productivity Fund.

While many of the measures in the Budget are foundation stones for the future, Mr Heng also took pains to address firms' more immediate concerns. Struggling companies in marine and offshore engineering will get bridging loan support, while the marine and process sectors will get a reprieve from a hike in foreign worker levy for a year. Wage support measures for employers to keep older workers will continue. There is also a corporate income tax rebate of 50 per cent of up to $25,000 (from $20,000 last year).

Those who found no clear road map in the CFE on how Singapore is to prepare for the future are not wrong. The CFE report gives only an overview of what an uncertain future looks like, so it is no surprise that those well-read on future trends find little of what it says fresh. Nor are its recommendations – deepening skills, regionalising, and innovating – revolutionary.

Those who turn to this year's Budget expecting detailed blueprints may also be disappointed. But in a Vuca future (that ubiquitous acronym to describe the world today – volatile, uncertain, complex and ambiguous), no blueprint, or map, can chart the way forward.

Rather, with the ITMs' "live" plans, we can only journey on, feeling the way forward together, one sector, one company, one app, one innovation at a time, mindful that at each turn, we will keep needing to do what GPS systems always do when we veer into new paths: recalculating.

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Commentary

Reminder of the need to conserve and do more with less

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For many, a key announcement that stands out in Budget 2017 is what will hit the wallet: a 30 per cent jump in water prices.

The increase may not sit well with many, coming alongside planned hikes in town council service and conservancy charges (S&CC) and uncertainty in the economy. Many have grumbled about the hike, and will likely continue to do so in the coming days.

There is no denying that 30 per cent – even in two phases – is a drastic hike, especially for larger households which use more water.

But the price of water has not increased in 17 years – since 2000.

Perhaps one way households can deal with the hike is to take it as a challenge to keep their water bill at the current level. And the way to do that really is to cut down on usage.

After all, recent Budgets have stressed that as the economy matures, Singapore needs to do more with less.

As the growth of the workforce slows, firms have been told that innovation and productivity are key to staying nimble and competitive.

The country's population is also ageing, which requires funds to be allocated to healthcare, subsidies and social transfers – but with more for those who need the most help.

Given concerns over climate change, maybe it's time we adjust and try to use less water too.

Last year's drought, which saw the Linggiu Reservoir in Johor – from which Singapore draws more than half its water supply – becoming less than one-quarter full, was a stark reminder of how imported and local catchment water depend heavily on weather conditions.

As Finance Minister Heng Swee Keat noted in his Budget speech, every additional drop of water has to come from desalination and Newater production, and the cost of producing and supplying water has increased.

More has to be spent on water infrastructure to meet growing demand and repair existing pipes.

PUB will also double its investment in water assets to about $4 billion in the next five years.

To soften the blow of the hike, the price of water will be increased in two phases, starting from July 1 this year. Once the hike is fully implemented in July next year, the jump in monthly water bills for 75 per cent of households will be less than $18, Mr Heng said.

That assumes they continue to use water at the current rate.

Regardless, the Government has rolled out additional GST Voucher U-Save rebates ranging from $40 to $120 a year for most Housing Board households, depending on flat type, to cushion against the hike.

They effectively mean 75 per cent of HDB households will see an increase of less than $12 per month to their household water bills, if their water use is unchanged.

It is not difficult to use less water. Ask those who grew up in those early years when rationing was not uncommon. Simple changes – such as being more mindful of not leaving the tap on when brushing teeth or washing dishes, using the washing machine only on a full load or not leaving the shower on while soaping – can go a long way.

With the rebates, PUB projects that the average monthly water bill for those in one- and two-room HDB flats will go down from $26 today to $25. For those in four-room HDB flats, it will go up from $42 to $47.

Still, Mr Heng cautioned: "Even as we provide this assistance, we should not lose sight of the scarcity of water, and should conserve it."

Singapore's water consumption rate of 151 litres per capita a day is low among developed cities in Asia.

But it exceeds that of many European countries, where this figure is below 140 litres a day.

It is not difficult to use less water. Ask those who grew up in those early years when rationing was not uncommon. Simple changes – such as being more mindful of not leaving the tap on when brushing teeth or washing dishes, using the washing machine only on a full load or not leaving the shower on while soaping – can go a long way.

From the Government's point of view, the impending hike may be just what's needed for people to recognise and appreciate the value of water and conserve it.

At the same time, the water hike should not be seen in isolation.

Yesterday's Budget also saw several measures to help lower- and middle-income households cope with the slowing economy.

There is an additional one-off GST Voucher cash special payment of up to $200 to help over 1.3 million lower-income citizens.

Another 880,000 HDB households will get between 1.5 and 3.5 months of S&CC rebates.

These heavy commitments are possible only because earlier finance ministers made tough decisions to conserve resources for future generations.

Their prudence helped make possible a net investment returns contribution of more than $14 billion for FY2016, and a similar amount for the new financial year.

These add up to nearly 20 per cent of forecast spending of $75 billion – a reminder that conserving resources where possible pays off.

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