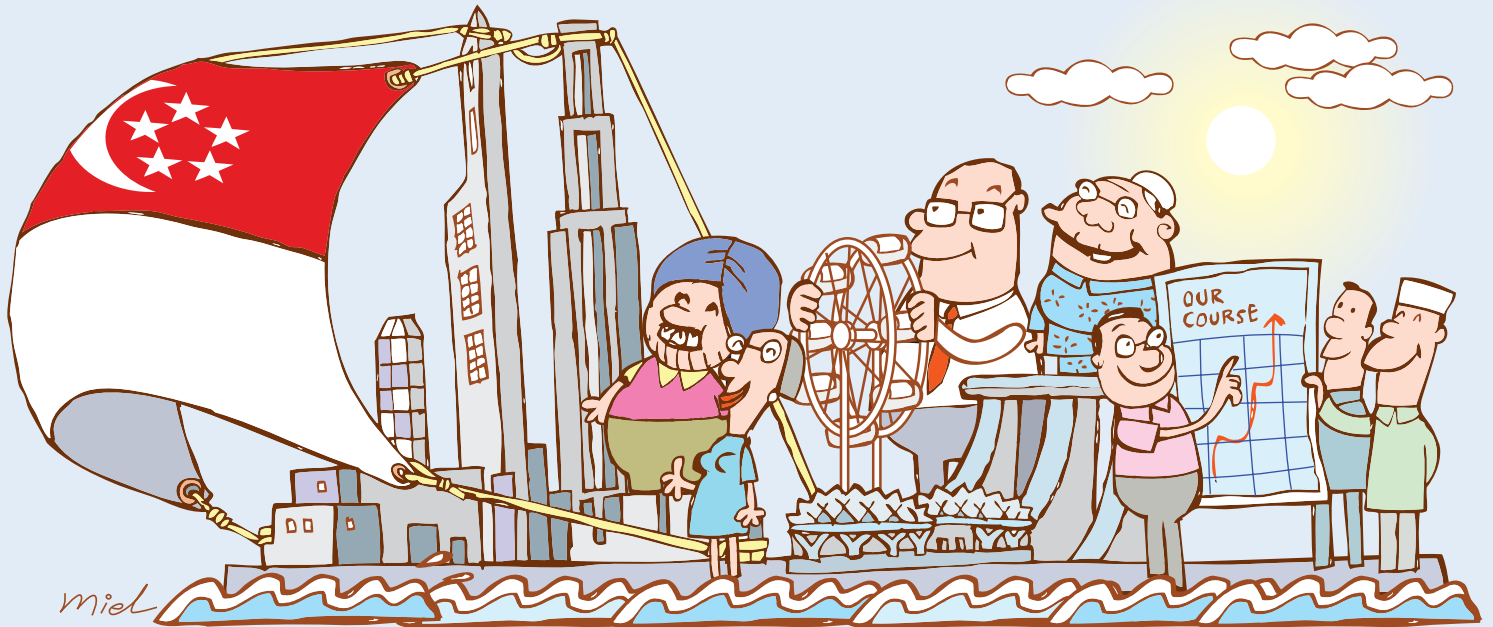


CITY OF POSSIBILITIES; HOME FOR ALL

HIGHLIGHTS OF PM'S NATIONAL DAY RALLY 2007 SPEECH

We are all set to surge ahead. The wind is filling our sails, let us catch the wind, set the course ahead and go for it.



Singapore is on the move, things look good. The environment externally is also favourable. There is optimism all over Asia. The fundamentals for Asia remain strong and so too for Singapore.

To thrive in a globalised world, we have first got to secure our home base. To do that, we have to adapt and change, to make our economy more vibrant and competitive – restructuring the economy, reforming the taxes, lowering income taxes, pushing up GST, developing the Integrated Resorts, remaking our city – all to make Singapore grow.

INCOME GAP - LEAVING NO ONE BEHIND

One major challenge for Singapore is the widening income gap. It is due to globalisation, technology and cut-throat competition. There is fierce competition. The result is winner takes all. At the bottom, in the middle, at the top, incomes are stretching out. This is the way the world is going and Singapore is getting carried along with it.

What can we do about it?

The first overall strategy is to grow our economy, generate the resources to tackle these problems to help those in need.

At **the lower end**, we emphasise training, skills upgrading, job redesign, so as to raise the productivity of low-income workers, get them to be able to do better paying jobs, help them to earn more. We have programmes like Workfare where we top up the income of low-wage workers, but not without conditions, as a *hongbao*. If you make the effort, we will help make your life better.

At **the top**, it is good that people are doing well. We cannot hold these incomes down. Nor can we levy higher income taxes to tax them away because if you do that, the talent will leave, the economy will lose vitality, and many others will suffer. We are prospering because we have welcomed talent, attracted businesses which come here and thrive in Singapore. They have done well for themselves and our economy has boomed – 110,000 jobs created in the first half of this year.

Those who have succeeded have to show that they care for their fellow citizens, for example, through philanthropy. This is happening in the US. Here, too, many Singaporeans are donating generously to good causes. Singaporeans have been making donations, small ones and a few big ones, too. Our universities have received contributions for endowments to many projects. Sometimes, we have buildings and faculties named after them, for example, the Lee Kong Chian School of Business, and the Yong Loo Lin School of Medicine in NUS. We have got hospitals named after people – Tan Tock Seng, from long ago, and Yishun will have the Khoo Teck Puat Hospital coming up soon. More people should do this according to your means and from your heart because collectively, these individual responses make our society much more compassionate, much more cohesive.

For the **vast majority in the middle** of the income distribution, our policies must enable them to do well, and provide them with many opportunities to move ahead along many paths.

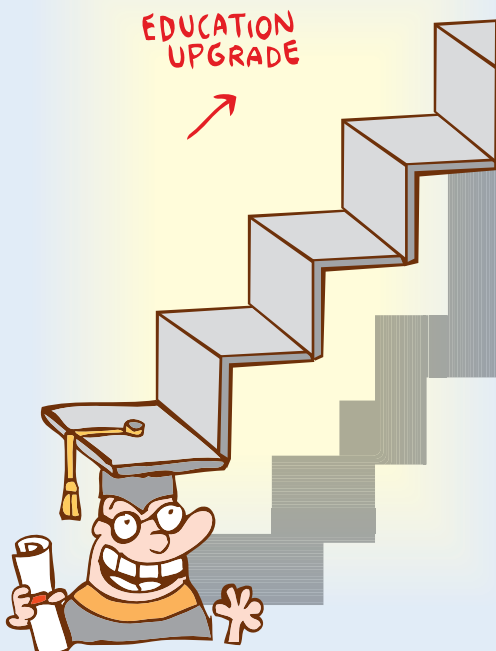
UPGRADING EDUCATION - LEVELLING UP SOCIETY

One major strategy is education. The payoff on education is going up. For every year longer you go to school, you can expect your wages to go up by 14 per cent. Therefore this is the best way to level up our society.

Our aim is to give every child a top-rate education. Our emphasis is on the quality of all our schools in Singapore, including neighbourhood schools and not just a few top schools.

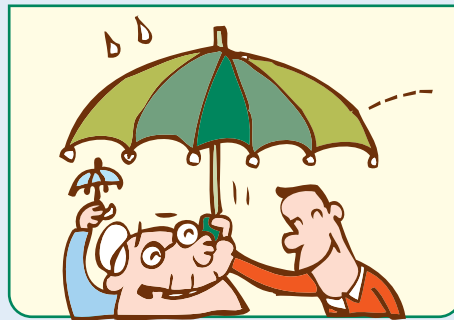
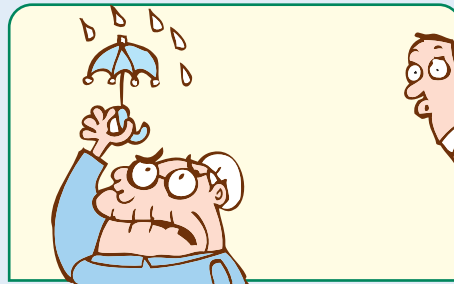
Whichever school you go to, whatever your home background, we will help you develop your talents to the full. Beyond the schools, we aim to get every student into post-secondary education and as many as possible into tertiary institutions. We have increased the intakes year by year. More students are progressing from ITE to poly, and more students are going from poly to university. More students are going into the entire post-secondary and tertiary sector. So, we should provide more university places in Singapore.

Today, nearly one-quarter of every cohort get subsidised education in our three state-funded universities, NUS, NTU, SMU. We will raise this to 30 per cent of the cohort in publicly-funded universities by 2015. This also means that we should build a fourth publicly-funded university, with its own character, unique strengths and its own pulling power.



AGEING POPULATION - LIVING ACTIVE LIVES

Another factor in our widening income gap is our ageing population. We have one of the fastest ageing populations in the world. Why? Firstly, not enough babies. Secondly, Singaporeans are living longer. In 1957, 50 years ago, the average life expectancy in Singapore was just 61 years. Today, the average life expectancy is 80 years and many people will live longer. As Singaporeans grow older, we need to give them more help.



WORKING LONGER - MORE SAVINGS FOR OLD AGE

The best way to be alright in old age and to have enough savings is to stay employed and to work longer because with longer life spans, you cannot retire at 55 and live until 80 or 85 or 90. Our challenge is how to get more people in their 60s working. There are three ways – education, legislation and incentives.

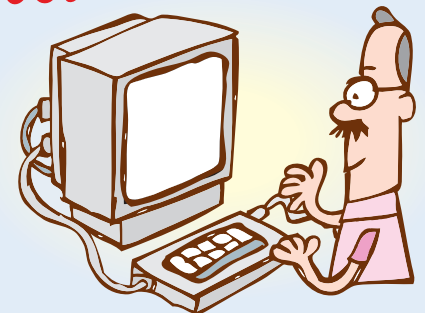
Education: We have to change mindsets of both the employers and workers. Employers must recognise the value of older workers, deploy them effectively and make the most of their abilities and strengths. The workers also have to adjust and they have to be prepared to change gears after 62, to accept lower pay and lighter work, to accept lower appointments so that younger ones can move up.

Legislation: We will legislate for re-employment – retire at 62, but get

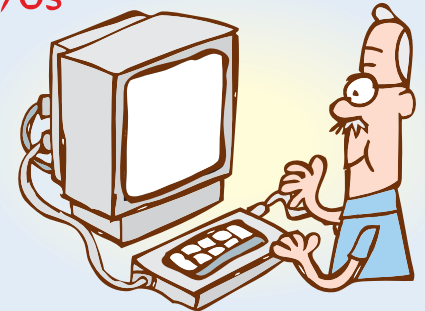
re-employed, continue working beyond 62, year to year as long as you can. It is more flexible for both the employers and the employees; not necessarily the same job, not necessarily the same pay. We are going to pass a Re-Employment Act to take effect by 1 January 2012, which will require employers to offer re-employment to workers who reach the retirement age of 62. As a first step, re-employment up to 65, then later, we push this up to 67.

Incentives: We will have incentives to encourage older people to work and to encourage employers to hire older people. One tool is Workfare. If a person wants to work, and the employer wants to hire him, he gets the Workfare grant from the Government. We can go further than that and introduce further higher tiers of Workfare for the older workers in their 50s and 60s to strengthen the incentive. We will push the Workfare up for the older workers, starting above 55, up to double the payout to the younger workers.

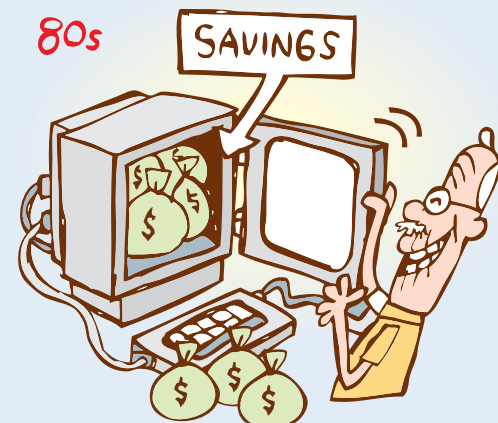
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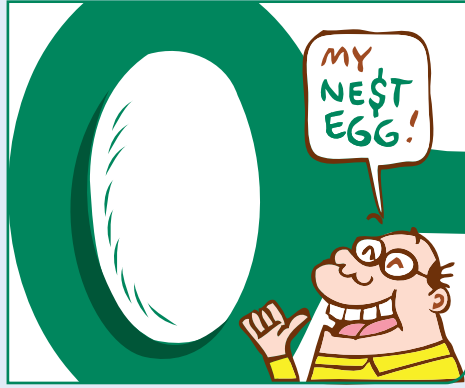
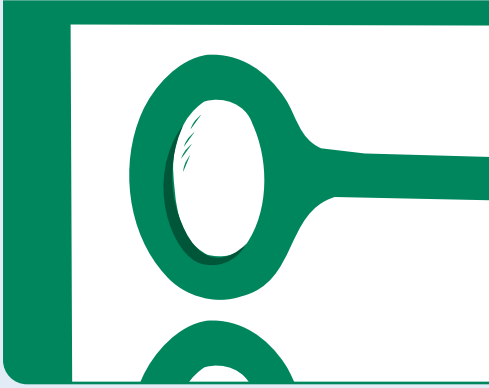
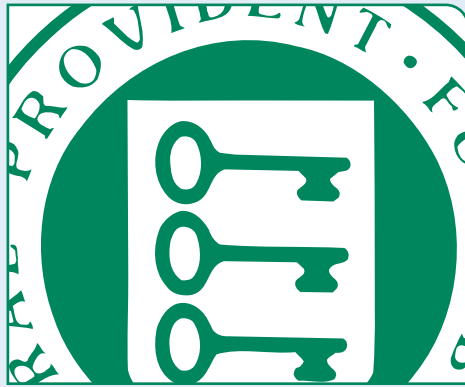
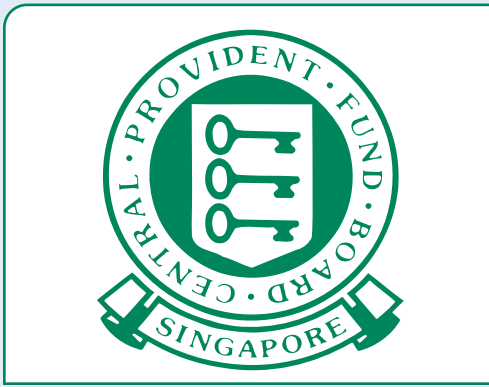


70s



80s





IMPROVING CPF - BUILDING A NEST EGG

The CPF system underpins our whole social safety net. It is a very good system which has served us well. But we have to adjust and bring the CPF system up to date. We need to make three changes.

First, increase the returns on the CPF savings. CPF pays interest - it is 2.5 per cent on the Ordinary Account, 4 per cent on the Special Account, Medisave Account and Retirement Account. We must improve the returns on the CPF and our main focus should be to help the lower- and the middle-income groups. The CPF Board will pay higher interest - one percentage point more - up to \$20,000 in your Ordinary Account, but taking all your accounts together, up to \$60,000. One percentage point may not sound like a lot of money, but it makes a big difference. It is going to cost the Government \$700 million per year. Today, our HDB subsidy for the whole building programme is \$750 million per year. So this is like one more HDB scheme.

Second, make the CPF savings last for your life expectancy. Today at 55, you set aside the Minimum Sum, and then you can take out the rest. After you have put aside the Minimum Sum in your Retirement Account, you start to draw it

down when you are 62 years old. But is 62 the right age to start drawing down? Even with the higher interest rate which we are paying, if we start drawing down the CPF too early, the money is going to run out too soon. If we start later, the Minimum Sum will last longer. You may think that 62 to 82 is long enough, but many people are going to live beyond 82.

We are legislating for re-employment until 65. We are pushing hard for people to work into their 60s, at least until 65. Therefore, the Draw-Down Age should also go up to 65. So we will raise the Draw-Down Age from 62 to 65, not in one shot, but progressively over a number of years. That means if the Draw-Down Age is 65 and you draw it down over 20 years, it lasts till you are 85 years old.

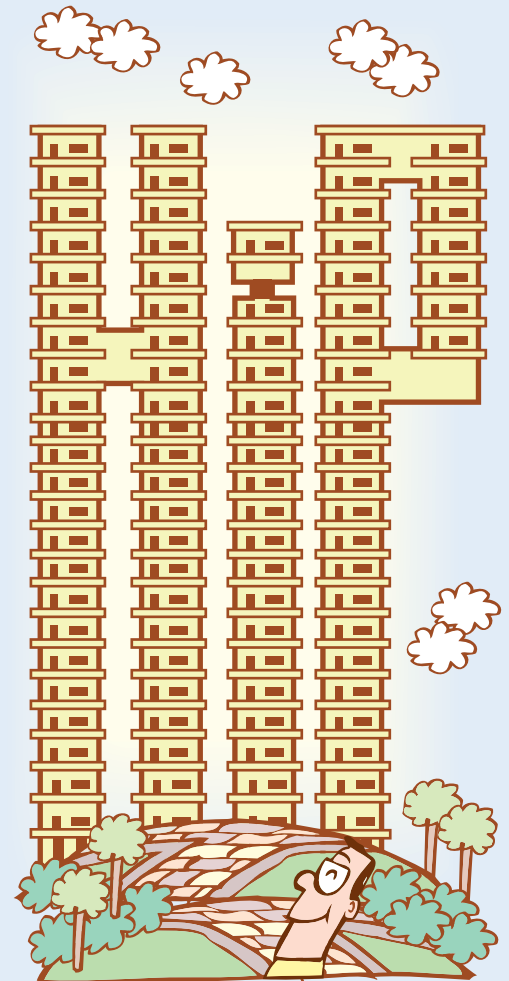
The third question to ask is: what if you live longer than expected? This is the risk that the CPF will run out. One solution is to buy insurance, for example through an annuity. The CPF already allows annuities. We allow people to convert their Minimum Sum into an annuity. It is a voluntary scheme, but very few people take it up. We will make some form of annuity compulsory for CPF members. It won't apply immediately to those about to retire but we will apply it to people who are now below 50 years old.

UPGRADING & RENEWAL - BEST HOME FOR ALL

One other major policy is housing. There are three parts to this issue.

At the **front end**, buying the flat is a great privilege. Non-citizens cannot buy. If you are a low-income citizen, we give you more help to buy the HDB flats, and that is why we introduced the Additional Housing Grant last year. If you are less well-off, your subsidy is bigger. If you are more well-off, your subsidy is less. Right now, the maximum grant amount is \$20,000. We will increase the maximum amount to \$30,000. We will also raise the household income ceiling for getting this housing grant. Now, the ceiling is \$3,000 for household income. We will push it to \$4,000, and that way, we will cover about half of all the households in Singapore.

At the **tail-end**, we will make it easier for people to monetise their flats to convert it into a stream of income. If you have a big flat, you can rent it out, or rent out one room, or you can downgrade. You have more choices. But if you live in a two- or three-room flat, which you have bought, the Government will help you to



unlock the value of your flats. We will introduce a new scheme. We will let you stay in your flat and take back the tail of your lease and leave you with a 30-year lease on your present flat. We will pay you for the tail of the lease and you will get some money out, a lump sum upfront and then the rest paid into CPF, some form of annuity, providing monthly payments for the rest of your life.

For the **middle part** of the HDB housing issue, this means enhancing the value of your home through upgrading and estate renewal and enhancing your home, enhancing your neighbourhood. We have many upgrading programmes but the most popular is the Lift Upgrading Programme (LUP). We will complete the LUP for all the flats which can take the lifts by 2014, which is only seven years from now.

We also have schemes for private estates. We will revamp the Estate Upgrading Programme (EUP), bring together all the pieces, coordinate all the works, and make one good EUP with impact. We will also extend the Community Improvement Project Committee (CIPC) funding to private estates.

Most Singaporeans live in public housing, and this is HDB's mission. So we are continually finding ways to improve our public housing and to meet new needs and expectations. The next new estate is Punggol, which will have a fresh water lake, trees, plants, shrubbery by the water, on top of car parks, on top of buildings. The town centre will be on the waterfront and will have malls, retail outlets, food, alfresco dining by the water.

The old estates also have great potential. One project is Dawson Estate in Queenstown. Some of you will remember some of the landmarks there fondly, like the plaza near the town centre and the old wet market along Commonwealth Drive. We will keep these because it gives you a sense of history and place. It will be like the new towns, but there is something extra which will bring people back.

Then there is the middle-aged estate. I think it is time to upgrade the upgrading programmes. First, the Interim Upgrading Programme, which spruces up the neighbourhood in each precinct. We will replace that with a Neighbourhood Renewal Programme.

We will get two or three precincts together, bigger area, larger scale. We can plan more and better facilities.

Second, for the individual flats, we will replace the Main Upgrading Programme with a new project called the Home Improvement Programme, HIP, [for] practical improvements within the flat. We will extend the Home Improvement Programme to a younger batch of flats - those built 1986 and before. We will pilot this in Tampines and Yishun, and then extend it to the other flats.

All of these upgrading programmes will cover many, many flats and they will be in housing estates all over Singapore. It will be a first-class living environment, greenery, water, homes coming up, integrated with it [which] can draw our communities closer together, foster a sense of belonging. No other city in the world can do this - public housing that is attractive, that is affordable, that is appealing, that gives every citizen a quality home, and an asset which will appreciate in value and also provide for his old age. But in Singapore, we can do it, provided we make the effort and work hard together.

FORGING AHEAD - GO FOR IT TOGETHER

Singapore's strength lies in our people, dedicated workers and capable leaders; not just individual stars or a few top leaders, but a cohesive society and a strong Singapore team. Each person giving his best for the nation, doing things together that none of us could have achieved on our own. This is our greatest asset and this is the secret of our success.

