

## **Prime Minister Lee Hsien Loong's National Day Rally speech on Aug 17, 2008 - Part 2**

I would acknowledge that at one time the car-related taxes were a significant burden on car owners and many of them are middle-income. Because our car ownership taxes have become so high, we needed to control the number of cars, we have pushed up the ARF (Additional Registration Fee), excise duty, so many items and the amount per car was very high and it was disproportion.

So we discussed this when we had the Economic Review Committee a few years ago which I chaired and we decided to make a major policy shift to shift from ownership to usage so that we could bring down the ownership taxes, ARF, excise duty and so on, we could issue more COEs (Certificates of Entitlement) so that they will be more affordable, then we could enable more people to afford cars but to do all these good things, we would have to push up ERP (Electronic Road Pricing) so that we can control traffic jams on the roads. And in fact, we have moved decisively on that.

I put together some figures to show you. It's easiest if I show you on a graph but if you compare 2000, before we moved, and 2008 where we are today, you will know how far we have come.

In 2000, the government collected \$6 billion in vehicle-related revenues, \$6 billion, it's a huge amount of money. It's like two or three times the amount of GST (Goods and Services Tax) we collected in that year. Because we have changed policy by 2008, the amount has come down. Halved, \$3 billion. So we've given, effectively we have saved Singaporeans about \$3 billion of tax. And this includes everything but to do this we've had to push up the ERP, by how much? In 2000, that's all the ERP there was, \$80 million. This tiny sliver at the top of the whole stick.

This year, after a lot of ERP adjustments, we've doubled it. It's \$160 million, but still very small compared to the total amount of road tax which we have collected. And despite this, in fact we have still made this big reduction in the road taxes which we have collected, which is savings to Singaporeans. And because of these savings, therefore more households have been able to own cars.

In 2000, there were about 320,000 households owning cars. Since then, in the last eight years, the number has gone up. Now 430,000 households had own cars, which is about one-third more, 100,000 households. I think this is something which is worth trying to do because many Singaporean households want to own cars and we've been able to enable more of them to do so. How have we been able to do that? By bringing down vehicle taxes and how have we been able to do that? This little red sliver here, by pushing up the ERP.

This is in terms of overall gross numbers, billions. But if you are buying an individual car, one household, one car, you can see the difference. So I have chosen as an example, a 1.6L car, typical Toyota Corolla. It was there in 2000, it is there this year.

In 2000, how much do you think it cost to buy a Toyota Corolla all in? \$110,000. This year, same car, in fact the salesman will tell you it's a better car, the price has gone down to \$64,000. And this is mainly because the government taxes have come down, because the OMV (open market value) has remained about the same. It's about \$19,000 before, now it's \$16,000 now. So basically, the government taxes have made the cars a lot more affordable. So the result of this is that there are more cars around us. You can see it, HDB car parks getting more crowded. You can see it on the roads. And therefore because of this, this year we've had to increase ERP charges.

I know many people are upset by these ERP charges but we have to see the bigger picture because in fact, the ERP charges are enabling us to benefit Singaporeans so as to reduce the burden on you and to enable more Singaporeans to own cars. So when we have to make the adjustment this year, we considered it very carefully, how should we do this without increasing the burden on Singaporeans? And we worked out an ERP package, not just raising the ERP or putting more gantries but reducing road tax at the same time so as to offset it and overall to bring down the cost.

Let me show you how this works. Before the package, let's take the 1.6L car again. Probably a Toyota but could be another one. Before the package, the ERP was \$122, after the package, it's gone up, nearly 200. So it looks very frightening but in fact if you consider the road tax which you have to pay and which we have adjusted, you used to pay \$874 of the road tax and now it's come down to \$744. So the net effect is that you have a saving, in fact you are saving money rather than out-of-pocket because of the ERP changes. How much? Let's do the sums.

ERP increase, \$76. Road tax reduction, \$130. Net savings, \$54. So overall, there's a net saving from this package. So we have not increased the burden on Singaporeans, we've actually reduced the burden on Singaporeans by some. The trouble is people may not realise or remember how much road tax they are paying, or even worse, how much road tax they paid last year. And sometimes they may not be the one to pay it.

I asked one driver how much road tax she paid because she was complaining about the gantries she went through and the beeps which she heard. So she thought a while and then she said to me, I'm not sure, I have to ask my husband. Because she didn't pay the bill, her husband paid the bill and I'm not sure even when the husband paid the bill, he noticed that it was smaller this year. And furthermore, when the husband pays the bill, there's no beep, beep. But when the wife drives the car, each gantry, one beep.

So, that is a problem and I think that's part of the reason why people are not happy. And so we have to draw the connections and get people to understand that actually the middle-income Singaporeans have benefited from government policies.

But we haven't only thought about road tax and car drivers because the point of all this is to have a system which will work for all Singaporeans and that means improving our public transport. So together with pushing up the ERP, we are building more rail lines, we have more trains running, about 800 more trips every week. So the waiting times have come down. The over-crowding during peak hours has come down. Bus service are getting improved. We are making the transfers more convenient and cheaper because the transfer rebate will go up.

So we are doing many things. We can't in the end have every household in Singapore own a car, like in America. That's not possible. But what we can do is to have the roads free flowing and a first-class public transport system for everybody.

Besides cars and public transport, we also have to pay attention to the wider needs of the public. And you can get a good sense of what the public is worried about by looking at the mix of MPS (Meet the People Sessions) cases which the MPs hold. And I do my own MPS from time to time. The MPs do regularly. And I can tell you what we find. Not many job-seekers, unlike during the last recession because there are a lot of jobs to go around. There are some hardship cases but we have a lot of schemes to help them. We got vouchers, we got Comcare, you got CCC (Citizens' Consultative Committee) and CDC (Community Development Council) programmes and so on. I talked about some just now.

But there's one worrying trend in the MPS cases and that is there are more and more people looking for HDB rental flats. And in one year, the number of applications have gone up, tripled. And now they form the bulk of our MPS cases. The biggest group is people looking for rental flats. Many many reasons.

HDB is building more rental flats but they will look into the applications. Not all of those who apply for rental flats are truly needy. And HDB gave me some examples. I show you one where a woman aged 60 was applying for a rental flat. And she had three children. Two of them live in private property and the children wrote down, don't worry, we will jointly hire a maid to look after our mother. Please can she have a rental flat?

I think families must have their problems, otherwise they would not go to look for MPs or HDB for help. But I think that for this group of people, rental flats are not the right solution. Instead they should look for

other viable alternatives. They can rent out a room, they can even rent out the whole flat, move in with their children. We are going to have the lease buy-back scheme for the two-rooms and three-room flats which is going to be implemented next year.

Or they could sell their flat and move into a smaller flat, or move into a studio apartment, also with a short lease and therefore free up some money. So there are various ways they can solve their problems but I think we have to manage this rental flat problem and MND (Ministry of National Development) and HDB will be reviewing the scheme for rental flats so that we can keep it an effective safety net for the people who need this, the minority of genuinely needy families who have not only no income but also no assets and also no family support.

So I've talked about the poor, I've talked about the middle-income, I've talked about those who need housing, rentals. I think for the vast majority of Singaporeans, we've provided comprehensive measures in the Budget. Most people do not realise how much they are getting and as I said in the Chinese speech just now, if you take a three-room flat, a low-income household, say an elderly couple with one child working, they are this year from the government \$5000, all in, which is much more than any increase in their cost of living.

And if you take a middle-income household, five-room, let's say middle-aged, working parents, two children, which is a typical profile, they get not a small sum either, about \$3,400, and that's not counting any personal income tax rebates which they may be getting.

So I think we've done a fair amount to help Singaporeans but inflation has turned out higher than expected, especially electricity and fuel prices, and the economy is a bit more uncertain than the outlook at the beginning of the year. So I think after looking at the Budget position, we can do a little bit more.

There's a second instalment of the Growth Dividends coming on 1 October and we will increase this by 50 per cent. And because energy, electricity is such a heavy bill now and some people's bills have gone up by 100 per cent, even more, so this year's U-Save rebates, we will also push it up by 50 per cent, which means for a three-room household like the one I mentioned earlier, they'll get about \$500 more all in and a five-room household will get about \$200 more.

And overall, this is going to cost us \$250 million to the government, a quarter billion dollars. If you add it to all the other things we are doing, I think it will help Singaporeans see us through this period.

But I would say, please don't think that hong baos are going to solve this problem. We can't give hong baos all the time and giving ourselves hong baos does not help address the problem of the oil producers becoming richer and Singaporeans becoming poorer. To address that problem, we have got to keep our economy competitive, we've got to produce more, be more productive. Therefore earn more for ourselves, then we can raise our standard of living, despite increases in oil and food prices.