

**SPEECH BY MR NG CHAD-SON, DIRECTOR, RESEARCH AND ENTERPRISE DIVISION, MINISTRY OF TRADE AND INDUSTRY AT REGULATORY DAY 2011 ON THURSDAY, 19 MAY 2011, 9.30AM AT THE FULLERTON HOTEL**

Partners of Rajah and Tann

Distinguished business leaders,

Ladies and gentlemen,

A very good morning,

I am very pleased to join you for Rajah and Tann's inaugural Regulatory Day conference.

The business of regulation is a delicate balancing act. Regulations are necessary to balance the competing interests of the different stakeholders in society. Over-regulation can impose unnecessary costs on businesses and stifle innovation. Under-regulation, on the other hand, lowers the welfare of the public by failing to take into account negative externalities. The call for more regulation often follows a crisis that shatters public confidence in the proper functioning of markets. It is not surprising that in the aftermath of the financial crisis, many in the US and Europe support increased government regulation of the financial sector. While this may not be a bad situation for lawyers; after all, it has been said that lawyers love regulations, the more complex and baffling, the better; it is in times like these where clear headed thinking to strike the right balance is even more important.

Even though Singapore has recovered from the economic crisis, globalization and technological change force us to constantly look at our business regulations. The challenge for the government is to continually update our rules and regulations so they stay relevant to their intent and the needs of society. At the same time, we want to improve our rules and regulations so that businesses spend less time, effort, and money to comply with them. We still have room for improvement.

Along today's theme of addressing the latest regulatory issues and challenges faced by businesses in Singapore, I would like to share with you, our approach to regulation as well as how together, we can help businesses cut red tape and make our regulations better.

## **Introduction to Smart Regulation & the Smart Regulation Committee**

Let me start with our approach to regulation.

Our aim is to regulate smartly – not over regulated or under-regulation. What we want is optimal regulation. To do this, our main principles of Smart Regulation are:

First, we should foster self regulation and market discipline as far as possible. Self-regulation and market discipline can potentially lead to better outcomes since the industry would best know what to regulate and how to effectively achieve this with minimal cost.

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Second, new regulation should take into account the views of relevant stakeholders, and potential implications for existing regulations. Globalisation and technological advancements have increased the complexity of many areas that we regulate. Regulations will often be more effective if stakeholder inputs are taken into account.

Third, the cost of regulation should not exceed intended benefits; a cost-benefit analysis would factor in our considerations on whether we should and how we want to regulate.

Fourth, regulation should adopt a risk management approach; this means that we target vital risks to be regulated and where possible, regulations are customized to meet different business needs.

We set up the Smart Regulation Committee or SRC in 2002, to oversee the rules review process within the public sector to ensure that rules and regulations remain relevant. It is currently chaired by a Permanent Secretary from the Ministry of Trade

and Industry and its members comprise senior civil servants from various ministries and statutory boards.

When it first started, the focus was to get government agencies to take stock of existing rules and critically evaluate which ones can be simplified or removed. The results were very encouraging.

Since then, the SRC has moved on to promoting 'best practices' in regulation to all government agencies.

### **The Pro-Enterprise Panel**

Beyond smart formulation of regulations, it is also important that we have the right feedback channels to help us improve our rules. To directly solicit feedback from businesses, the Pro-Enterprise Panel, or PEP, was up in 2000, to ensure that government rules and regulations remain relevant and supportive of a pro-business environment. It is a public-private partnership, chaired by Head Civil Service and comprises a majority of private sector representation from various business industries.

The PEP actively seeks suggestions and feedback from the public and business community with the aim of cutting onerous business red tape. Every suggestion is taken seriously, whether it is about rules that are outdated, cumbersome processes, or onerous requirements.

All suggestions are evaluated by the PEP with a particular focus on the business perspective. In line with our intent to have diverse opinions, PEP's private sector members have wide working experiences ranging from F&B to green energy, retail and legal practice among others. We believe it is the tension between these business sector representatives and civil servants that challenge our rules to be smarter and more relevant to business needs.

As an example, Malaysian confinement nannies used to have to leave Singapore for a month after working 60 days here, even though their work permits were valid for 16 weeks. Through a suggestion to the PEP, a confinement nanny agency managed to get this restriction lifted last year. As the company can better cater to customers' demands now, it has seen an increase in assignments and can commit more resources into their nannies' training and development. Besides the confinement nanny agencies, this change has also made many mothers and I'm sure fathers happy as well.

To date, the PEP has received about 1,800 suggestions, and more than half of them were accepted after careful review by the PEP and the relevant government agencies. Increasingly, the government is seeing more complex suggestions to improve rules that cut across different agencies. We cannot expect businesses to know which agencies are involved behind the scenes in administering or evaluating a particular regulation. Therefore, the PEP helps to manage the different agencies involved to give a coordinated response and implementation plan.

Our private sector PEP members, past and present, take pride that their time and effort put in over the years, have contributed significantly to improving public sector governance in Singapore. Both our government agencies and private sector partners have contributed to the World Bank ranking Singapore as the easiest place in the world to do business for five consecutive years (World Bank Doing Business 2007 – 2011).

### **Reducing Compliance Cost**

Even as we strive to remove and simplify regulations, regulations are still needed to safeguard public interest. It is therefore important to reduce compliance cost of the regulations. Compliance burden on businesses encompasses both cost and effort. Regulatory fees charged to businesses are generally based on the principle of cost recovery and Government agencies are proactive to reduce fees where possible.

We reduce compliance cost by improving internal efficiency through leveraging on technology and process engineering.

For example, effective from 1<sup>st</sup> April 2011, the Urban Redevelopment Authority (URA), by improving internal processes have slashed “change of use” fees by more than 60% from \$800 to \$300. Other land related fees such as renewal of temporary written permission and search of planning approvals have also been cut.

Also, the Ministry of Manpower (MOM) introduced an online portal that allows businesses and employment agencies to submit employment documents electronically, saving them time and effort in making a physical trip to MOM.

Compliance cost can also be reduced by implementing new ways to do old things.

For example, the Agri-Food & Veterinary Authority of Singapore (AVA) introduced a new inspection cost structure in November 2010 to issue export certificates. This new inspection cost structure is based on time taken instead of number of consignments received and is estimated to save businesses up to 55% especially for multiple product shipments.

## **Conclusion**

To conclude, we will never finish the work of regulation. The environment will continue to change, probably at a pace faster than today. As it does, so must our regulations in order to remain relevant. I am happy to see that you have made it a priority to understand the latest regulatory issues facing businesses in Singapore and for allowing me to share how the government approaches regulation. As professionals familiar with our regulations and the challenges faced by businesses, I would like to invite you to help us make our regulations better. With your valuable inputs, we can better achieve the goals the regulations intended, as well as reduce time, effort, and money required to comply with them.

I wish you a very fruitful conference ahead. Thank you.