

## At your service, productively

**G**IVE a man a fish and he eats for a day, teach a man to fish and he eats for a lifetime. But get a machine to do the fishing, and you can teach the man to do so much more. That, the Singapore Government hopes, will be the new mantra of the food service industry as a whopping \$75 million in grants is dished out to boost productivity in the sector. To be administered through Spring Singapore, these grants will help companies become better equipped with the necessary knowledge, support and tools to improve productivity and competitiveness.

While there has been much hand-wringing from restaurant proprietors about the recent raising of foreign

worker levies, which further limits their resources, the hard truth is Singapore needs to rely less on foreign labour and think seriously of innovative game-changing ways if it is to remain competitive.

In the late 1970s, the entry of McDonald's into Singapore revolutionised the way fast-food chains dished out their service – it did it with much-vaunted efficiency. Since then, few local companies can enjoy the same accolade. Granted, Putien, a Chinese restaurant chain, is investing in a new vegetable cutter that will free five kitchen staff to do other tasks; Sakae Sushi expects to increase productivity by 20 per cent by using radio frequency identification tech-

nology to track the freshness of sushi on its restaurant conveyor belts.

Overall, productivity in Singapore's F&B sector is lagging behind. According to the Economic Strategies Committee report, Singapore's average level of productivity in the retail sector is about 75 per cent of that in Hong Kong and one-third that of the United States.

Other statistics, from the US Bureau of Economic Analysis and the Department of Statistics Singapore, show that the average American hotel and restaurant worker value-added US\$34,082 (\$42,840) to the economy in 2008. The Singapore hotel and restaurant worker, however, could manage only US\$25,037.

Even when compared to the national average, the food service sector here comes up woefully short – the national average for value-added per worker is \$89,800, but in the F&B sector, it is just \$22,300. As Finance Minister Tharman Shanmugaratnam noted in his Budget speech, increased productivity is the best way to income growth in a labour market already near full employment.

One only hopes that with this \$75 million boost – which aims to increase productivity in the food service sector by 20 per cent by 2015 – more companies will not only increase value-added, but hopefully maintain, if not improve, the quality of their food.

### AUSSIE VIEW OF FAILED SGX-ASX BID

## A failure of political leadership

BY STEPHEN KIRCHNER FOR THE STRAITS TIMES

**A**USTRALIAN Treasurer Wayne Swan's rejection of Singapore Exchange's (SGX) bid for the Australian Securities Exchange (ASX) represents a failure of political leadership.

By all accounts, the government's opposition to the deal has little to do with "national interest" considerations and more to do with fears about how the deal might play politically. Yet there is little evidence of a groundswell of popular opposition to the deal among the general public.

The Treasurer has received advice to reject the deal from Australia's Foreign Investment Review Board (FIRB), but this is just a fig leaf of bureaucratic respectability for a political decision. In fact, the Treasurer enjoys wide latitude to exercise his discretion under the Foreign Acquisitions and Takeovers Act to reject any transaction deemed to be against the "national interest". The Act does not define the national interest, so the Treasurer's discretion is unbounded.

The Australian government has yet to disclose fully the advice it has received on the matter from regulators. This lack of transparency makes it difficult to evaluate the government's "national interest" concerns, but these concerns should not have been a deal-breaker.

The government has also resorted to explicitly protectionist arguments, with

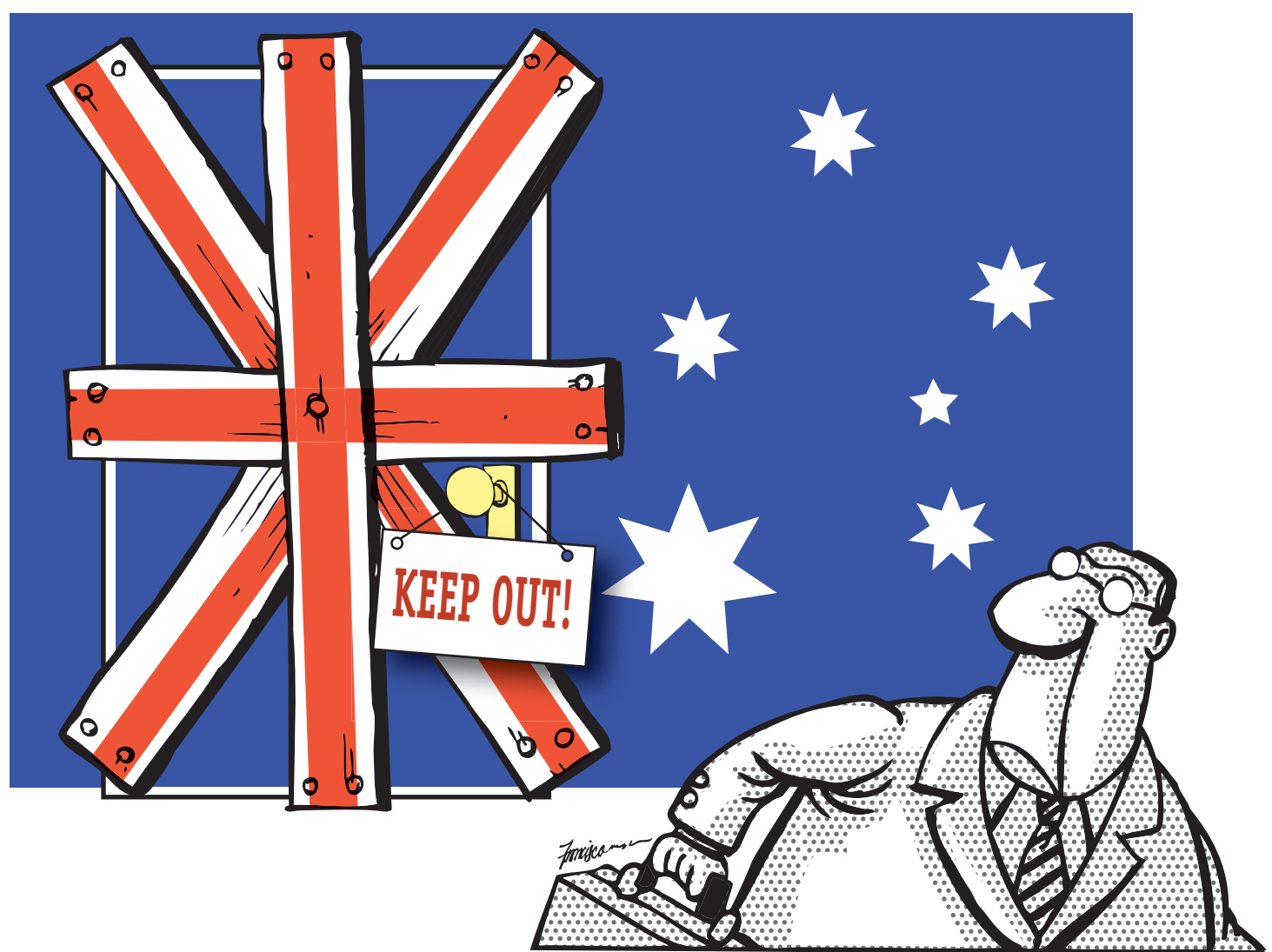
Treasurer Swan saying "this deal would risk us losing many of our financial sector jobs". The regulation of foreign direct investment in Australia has apparently become an arm of domestic industry and employment policy.

The Australian government's regularly updated foreign investment guidelines are little more than a laundry list of considerations that expand rather than limit the scope of the Treasurer's discretion to veto commercial transactions the government does not like for political reasons.

The creation of a single holding company to operate the two exchanges would better position both SGX and ASX in relation to the global consolidation of securities trading that has been under way for some time. If the New York Stock Exchange can be acquired by Deutsche Boerse, it is very hard to make a case for why ASX should be an exception to this global trend.

The deal would not in itself create a single securities market. Nor would it change the regulatory framework for securities trading in the two jurisdictions. The Australian government would retain full sovereignty in relation to the regulation of securities trading within its borders. Whether the deal is successful in achieving its objectives is a commercial judgment best left to the management of ASX and SGX. It is not the role of Australian politicians to make these judgments.

Unfortunately, the Treasurer's sweeping powers and the open-ended nature of Australia's "national interest" test are a



standing invitation for politicians to pre-empt and second-guess commercial outcomes. The Foreign Acquisitions and Takeovers Act is a lightning rod for political intervention in the market for ownership and control of Australian equity capital.

The Act adds nothing useful to the regulation of business investment in Australia. It allows the government to infringe the property rights of the owners of Australian equity capital, who are denied the opportunity to sell to the highest bidder and thereby realise the full value of their equity. That in turn reduces the amount of capital available for re-investment in Australia by the sellers of these assets. The Treasurer's opposition to this and other deals devalues Australia's stock of equity capital.

It would be a mistake for either Aus-

tralia or Singapore to take a mercantilist "national champions" view of their securities exchanges. More integrated regional securities trading would raise the status of both Australia and Singapore as financial centres. Blocking the deal risks consigning Australian securities markets to the status of a regional backwater, with adverse implications for the ability of ASX-listed companies to raise the capital needed to drive investment and economic growth.

Establishing a regional financial centre and exporting financial services to the world is a longstanding aspiration of Australia's politicians, but one that sits uneasily with their suspicion of foreign direct investment and protectionist attitudes to Australian-owned and listed firms.

Australia is increasingly an exporter of direct investment capital, making Austral-

ian-owned and listed firms potentially vulnerable to protectionist sentiment abroad. The recent rejection of BHP Billiton's bid for the Canadian Potash Corporation highlights the danger protectionist sentiment poses to Australian-listed firms seeking to expand in overseas markets. Yet foreign governments can readily point to Australia's own politically driven regulation of foreign direct investment to justify their actions.

Foreign investors and the Australian owners of equity capital have good reason to fear a political class that has become increasingly insular, provincial and xenophobic in its attitude to foreign direct investment.

The writer is a research fellow at the Centre for Independent Studies, Sydney and a senior lecturer in economics at the University of Technology Business School, also in Sydney.

## More than the state at stake in Sarawak election

BY JOHAN SARAVANAMUTTU FOR THE STRAITS TIMES

**T**HE significance of the Sarawak state election on April 16 cannot be underestimated. Its import will go beyond the state to affect national politics.

The election is a test of the strength of Barisan Nasional's (BN) rule in Sarawak.

Sarawak and Sabah together helped secure 53 of 58 seats in Parliament for the BN in the 2008 General Election. Three went to the opposition. Another two seats are now in the hands of an independent Sabah party.

However, the polls on April 16 will be focused on 71 seats in the state legislature. Of these, 63 are currently in BN hands, seven with the Pakatan Rakyat (PR) alliance, and one independent. Within the PR, the Democratic Action Party (DAP) has six seats and the Parti Keadilan Rakyat (PKR) has one.

The BN will be contesting all 71 seats and the PR will contest 69. There will be many three-cornered contests, with can-

didates from non-coalition parties and some 41 independents.

More pertinently, the outcome of the Sarawak election will serve as an indication of the strength of coalition politics in Malaysia. After all, Malaysia's twin-coalition party system is still in its infancy, as it was cobbled together only after the March 2008 GE. Having suffered the shock loss of its two-thirds majority in Parliament, the BN at that time formed a new coalition with a large number of parties. Opposition groups formed the Pakatan Rakyat (PR).

Since then, Malaysia's BN-PR twin coalition electoral politics has gained traction. An unprecedented number of by-elections reinforced the trend. After 16 by-elections since the 2008 GE, the two sides are now even with each winning eight by-elections. The BN picked up the last five wins, leading pundits to argue that the tide has swung back to the BN. The outcome of the Sarawak election will thus be a barometer for the BN.

Second, the Sarawak state election is really a referendum on Malaysian Prime Minister Najib Razak.

Datuk Seri Najib has not received a mandate for a slew of major policies he has recently introduced. Since taking charge on April 3 2009, his government has adopted the five-year 10th Malaysia Plan that also incorporates a New Economic Model (NEM) for Malaysia. The opposition PR and other detractors have criticised the NEM and 10th Plan for not debanking Malaysia's race-based New Economic Policy (NEP). Most recently, a member of the National Economic Advisory Council Zainal Aznam said the Prime Minister did not have the will to push through real reform and that the NEM was held hostage to the Malay rights group Perkasa.

Sarawak's native communities comprising the Iban, Bidayuh, Melanau and Orang Ulu are among the poorest bumiputeras in the country. Many have argued that the NEP has hardly lifted the vast majority from poverty, and it is unclear if the NEM will be any better-received. The government puts poverty in the state at 5.3 per cent, but that is disputed by analysts who say the real figure is closer to 30 per cent.

The BN government will have its work cut out for it to convince the electorate in Sarawak that its new policies will spur and spread growth.

Third, this election is a referendum for the ailing septuagenarian Taib Mahmud who has presided over the state for the last 30 years. Tan Sri Taib has announced that he will step down after the election. This will assuage somewhat criticisms of his rule which range from the neglect of Sarawakians, who have remained poor despite the state's wealth in oil, gas and timber, and his alleged corruption and nepotism.

To add to Mr Taib's problems, the BN in Sarawak is facing for the first time a concerted challenge by the PR, despite the decision by the newly resurrected Sarawak National Party (Snap), the state's oldest political party, to contest as an independent party in 26 seats.

Mr Taib's state BN coalition – comprising PBB (United Bumiputera Party), PRS (Sarawak People's Party), SPDP (Sarawak Progressive Democratic Party) and Sarawak United People's Party (Supp) –

appears to be stable and strong especially in rural constituencies. But analysts believe the urban-based Supp may lose out to DAP, having lost the all-important Sibau seat in a by-election on May 16 last year.

Analysts estimate that about 24 seats are in the balance, enough to tip the scales and deny the BN its two-thirds majority in the state. Such a loss, let alone losing the state, would be bad medicine for a BN readying itself for the general election expected next year.

The election to the Sarawak state legislature will not determine seats at the federal level. But how voters make their choice will provide an indication of how many BN federal seats in Sarawak could fall in the coming general election.

On April 16, the votes of 980,000 Sarawakians will determine not just Sarawak's state legislature now, but more crucially the future direction of Malaysian politics and especially the future of its coalition politics.

The writer is senior visiting research fellow at the Institute of Southeast Asian Studies.