




A NOTE ON THE LAND ACQUISITION ACT OF SINGAPORE AND SOCIAL RE-ENGINEERING

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ARTICLE INFO	ABSTRACT
<p>Published:</p> <p>Keywords: <i>land acquisition, singapore, social re-engineering, land ownership</i></p>	<p><i>Land Acquisition Act (LAA) of Singapore regulates the compulsory acquisition of land in Singapore. This paper looks at LAA and its' role in shifting the land ownership structure in Singapore and the resultant social re-engineering. The LAA had four prominent features which were, (1) power to obtain private land by the state, (2) inability of affected landowners to object the compulsory acquisition, (3) landowners being compensated much less than market value (prior to 2007), and (4) the formation of an Appeals Board to formally judge on compensations. The research would like to reveal LAA and its role in changing the land ownership structure in Singapore and the resultant social re-engineering. The method of writing this article uses literature reviews from journals and references related to Land Acquisition Act. Search for literature on performance using Google Scholar and other relevant platforms. The researcher also used other relevant documents, including physical documents, to gain more knowledge on the topic discussed. The LAA indeed resulted in the lives of many to be better-off but it was at the expense of a few wealthy families in Singapore.</i></p>
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INTRODUCTION

Land ownership rights are meant to be “sacred.” Freehold land ownership generally means ownership is forever. Freehold property can be defined as any estate which is "free from hold" of any entity besides the owner. Hence, the freehold-owner enjoys free ownership for perpetuity. However, compulsory land acquisitions laws allow the state to acquire the freehold estate without the consent of the owner. In Singapore, freehold land status is changed if the state desires that land (Ong, 2012). The Singapore government, in many instances, will either sell acquired land to developers on a 99-year leasehold or develop it under Housing Development Board (HDB) for public housing sold on a 99-year leasehold.

Compulsory Land Acquisition Act has been labelled as crucial for the development of Singapore. Land, including prime land, acquired at a low-cost was made available for housing, commercial and industrial projects of public agencies such as the Housing and Development Board (HDB), the Urban Redevelopment Authority (URA) and the Jurong Town Corporation (JTC). (Oon & Lim, 2014).

In Singapore, land was initially acquired under the Land Acquisition Ordinance of 1920 which was later amended in 1946 and 1955 (Tan, 2015). Singapore obtained self-governance from the British in 1959 and the 1955 Ordinance was amended. The 1959 Land Ordinance was later replaced by the Land Acquisition Act in 1966. Modern Singapore became a full-fledged independent nation in August 1965, after it separated from the Malaysian federation. The Land Acquisition Act was implemented on 26th October 1966 and came into effect on 17th June 1967. It

discounted any value increase in the preceding 7 years that arose from public enhancements to the vicinity. Ngiam (2007) argued that society bore the cost of the infrastructures and enhancements through tax revenue and therefore, in his view, any increase in the value arising from “public expenditures” should accrue back to the state.

During the Parliamentary debates on the Land Acquisition Bill on 22 June 1966, the late Mr E. W. Barker, then Minister for Law, said: “[T]his Bill embodies (in the form of a revised consolidated Act) both the provisions in the existing law, that is to say, the Land Acquisition Ordinance, Chapter 248, as well as the provisions in the Land Acquisition (Amendment No 2) Bill. The major departures from existing legislation are: - (1) The assessment of compensation provisions have been re-drafted on the basis of **two principles** enunciated by the Prime Minister in December 1963. Firstly, that no landowner should benefit from development which has taken place at public expense and, secondly, that the price paid on acquisition of land for public purposes should not be higher than what the land would have been worth had the Government not carried out development generally in the area ..”

The above quote epitomises the general operating principles of the Land Acquisition Act. The fundamental principle was that the appreciation in land value which resulted from infrastructure development by the Government ought to accrue to the Government, and not to individual landowners. This is very much in contradiction to basic principles of long-term real estate investments. Real estate investments are for rental returns and capital appreciation. A large portion of capital appreciation is indeed from the locality development.

The Government would re-distribute the wealth gained from the appreciation in land value to the population through infrastructure and other public developments (Chew et al., 2010). A large portion of acquired land was indeed used for public-housing projects. It is worth-while to note that public housing in Singapore is sold to public and the buyers are allowed to sell the housing in the open market. There is an income-ceiling restriction on eligibility of purchasing the property directly from the state. This allowed those whose income is below the ceiling level to be able to purchase the public housing at subsidised rates and eventually sell them in the open market at market value.

LAA was further amended in 1973. The amendments were geared more to the benefit of the government as opposed to individual landowner’s interest. The amended LAA computes the compensation as the lower of market value on November 30th, 1973, or on the date of an official notification, or declaration (Davidson, 1973). This framework of compensation underscored the need to cap the costs of public development and infrastructure. Between 1986 and 1995, three further amendments were made to the “statutory date of compensation” to reflect the increase in property prices over time. In 2007, radical changes were finally made to the Land Acquisition Act and abolished the statutory date of compensation.

The economic effect on land owners was huge when the “statutory date of compensation” was used to arrive at the compensation. The largest land owners of Singapore in early 1900s were the Singapore Hadhrami (Arab) community. They owned about 75% of the land alienated by the British colonisers (Yu-Ju & Zelin, 2015). This Hadhrami-Arab community of Singapore is no longer the biggest land-owner in Singapore; their wealth and influence has significantly declined

post-independence of Singapore. Talib (1997) highlighted four factors (enactment of the Administration of Muslim Law Act 1968, the rent control legislation, Land acquisition act, and professional trustees replacing family trustees) for the decline of the Hadhrami wealth and influence in Singapore. One factor was the Land Acquisition Act. Mattar (2004) was also of the view that the Land Acquisition Act (1966) had major impact on the Hadhrami Arabs. Ramli & Talib (2020) reviewed the impact of land acquisitions for one Singaporean Hadhrami family and estimates that this one family lost over 2 billion Singapore dollars from compulsory acquisitions. Sheikh Sallim bin Mohamed bin Talib was among the wealthiest diaspora Hadhramis in the early twentieth centuries. He passed away in 1937 leaving behind the Sallim Talib Family Settlement (The family trust) for his descendants with about 400 shophouses (Holmberg, 2010). The majority of these shophouses have been compulsory acquired (Ramli & Talib, 2020).

By 1984, Singapore government acquired a total of 77 square kilometres of land, constituting to approximately one-third of the total land area of Singapore then. Majority of the land in Singapore was acquired after 1967, thus resulting in the government becoming the biggest landowner by 1985.

By the 1980s, the “statutory date of compensation” pegged at 1973 property values was totally inequitable. The 1973 statutory date meant that landowners whose land had been acquired in the 1980s were paid based on values a decade earlier and hence suffered substantial financial losses. The Government carried out the first of several revisions to the statutory dates in 1988 to bring compensation in line with market value as at 1 January 1986 for properties acquired after 30 November 1987. This was further reviewed on 26 February 1993 and 1 November 1995. The various “statutory date of compensation” adopted were as follows: (a) 30 November 1973 for acquisitions before 30 November 1987 (b) 01 January 1986 for acquisitions on or after 30 November 1987 but before 18 January 1993 (c) 01 January 1992 for acquisitions on or after 18 January 1993 but before 27 September 1995 and (d) 01 Jan 1995 for acquisitions on or after 27 September 1995.

Clearly the compensation regime in the early years was structured against landowners. Although this was obviously unfair from the landowners’ point of view, it was, nevertheless, deemed reasonable from the State’s perspective. Where the acquisition affected a larger segment of society beyond individual/private land owners, the government was more accommodating. The 1995 amendment came just three years after the 1992 amendment, as opposed to the lengthy time-period between the 1973 and 1986 amendment. Two weeks after the 1995 amendment, the government acquired 17.5 ha of land owned by City Developments Ltd., Centrepont Properties and First Capital Corporation (Tan, 1995). These were public-listed companies. Had the legislation not been amended, the common-man who had invested in these companies would have been adversely affected.

From 1959 to 1984, 17,690-ha of land, which was about one-third of Singapore’s entire land area then was acquired by the government. During which, the majority of land was acquired under the LAA after 1967. Thus, the government turned into the largest landowner by 1985 with 76.2

percent land ownership in Singapore, twice of 31 percent landownership in 1949 (Oon & Lim, 2014).

Between 1963 and 1985, over half a million apartments were built by the HDB to deliver affordable public accommodation to the masses. Currently, around 80 percent of the total population of Singapore live in HDB housing. Correspondingly, twenty industrial estates were built by 1985. These industrial estates housed over 3,000 factories creating over 200,000 job opportunities. The LAA ensured that the costs of building these housings and industrial premises were at low-cost. The authorities take pride in acquiring land at such a low-cost. A publication of the National Library Board states that “owing to the effective and cheaper land acquisition due to the LAA, better urban planning aided the urban renewal efforts in the central area drove the development of the business and commercial district in downtown Singapore (National Library Board, 2013).

Land Acquisition Act (LAA) of Singapore regulates the compulsory acquisition of land in Singapore. This paper looks at LAA and its role in changing the land ownership structure in Singapore and the resultant social re-engineering. The LAA had four notable features which were, (1) power to acquire private land, (2) inability of affected landowners to object the compulsory acquisition, (3) landowners being compensated much less than market value (Prior to 2007), and (4) the formation of an Appeals Board to formally judge on compensations.

METHOD

A literature review from journals and sources regarding the Land Acquisition Act were used in the writing of this essay. The researcher used Google Scholar and other appropriate online resources to look up performance-related literature. For additional information on the subject at hand, the researcher additionally used physical documents and other pertinent records.

RESULT AND DISCUSSION

Large property developers are happy with the use of compulsory acquisition to gather land for development, as it takes away the process of negotiating with landowners and thereby decreasing transaction costs. There was even a policy of acquiring land around the new Mass Rapid Transport (MRT) stations so that one large parcel could be sold for development. This has indeed raised the ire of many landowners. Plots of land were acquired compulsorily from different landlords. Sometimes large plots and stretches were acquired from same landlord. Some of these compulsory acquisitions were not done for public housing or construction of public buildings. The acquired plots would be combined into one large plot and sold to a property developer at prevailing market rates; when these plots had been acquired at values significantly below market values. The landowners felt they have been deprived of their wealth for the ‘state’ to make an instant profit. The acquisition would have carried out without any attempt to negotiate a collective en-bloc purchase of the required plot. The landowners felt that the government used the legislation of LAA to transfer the capital appreciation from landowners to the state and/or related or unrelated property developers.

One glaring example are the ‘Scotts Road’ bungalows. These were acquired in 1980s with the construction of the nearby Newton MRT station. At the time of acquisition those bungalows were zoned as residential. These bungalows are still standing today. They were refurbished and rented out at commercial rates to businesses including F&B.

In 1966, 147,000 new homes were needed according to Table 1. This led to immense housing stress for Singapore (Housing and Development Board, 1996).

Table 1. Housing Needs

New housing required	No. of units
for current housing deficit from overcrowding in urban areas	80,000
for central area redevelopment	20,000
for natural increase in population	47,000
Total new housing units required	147,000
	(14,000 new homes a year)

Source: HDB, 1966

The implementation of the LAA can be described as a “heavy-handed method” of lowering the costs of land to provide public housing (Chua, 1997). It also reinforced the urban development role of Singapore’s government as they enjoyed large control over the land ownership in Singapore. By 1999, the government owned 85% of the land in Singapore (Motha & Yuen, 1999). The state regime (in the form of the dominant ruling political party) claim “bragging rights” for the redevelopment of Singapore and the various public agencies set up for redevelopment purposes obtain track records. Nevertheless, a significant component of the redevelopment of Singapore and the housing of the masses was carried out at the expense of the landowners of the compulsory acquired land (Mbugua, 2009).

The LAA changed the landownership landscape in Singapore from majority of land being owned by a few individual wealthy private landowners and private companies to state owned land by different agencies set up by the government. More citizens were able to afford to own housing. The wealthy landlords suffered a double-whammy in rent control regulations and LAA. The LAA and the rent control almost abolished the landed gentry class. The landed gentry wealth was redistributed to the state, property developers and the public via the mechanism of LAA. The HDB was able to build affordable housing that was sold to the public on 99-year leases. These public housing in Singapore are allowed to have a resale market and market values have appreciated significantly. While certain landowners suffered large losses from LAA (For example, see Shirin and Talib 2020), select owners of property spared from LAA were able to enjoy the continued ownership and the large price appreciation driven by the increased scarcity of freehold land in Singapore.

LAA empowered the HDB to construct a number of new housing estates by obtaining the land at low-cost. The numerous policies surrounding these HDB housing gave the government a mechanism and leeway to partake in a continuous process of reengineering politics, society, culture and identity (Goh, 2005). One such policy is the “ethnic Integration policy” which had restrictions

on the sale and purchase transactions of HDB flat; to safeguard racial balances in the HDB blocks and estates (Soh & Yuen, 2011).

The social-engineering practised through HDB estates included individual behaviour and family relations. Single men below 35 years old and single women below 30 years old are not eligible to buy these flats; only legally married couples were eligible to buy them (Shatkin, 2014). This, obviously, is nudging for conventional married couples and for early marriages. It formed an economic disadvantage for singles cohabiting in addition to gay-relations (Phua & Yeoh, 1998). There are also policies giving incentives for children to buy apartments close to their parents to encourage the children to look after their elder parents (Chua, 1997). Shatkin (2014) viewed the Singapore state dominance of the real-estate industry as empowering it to engineer the economy.

The LAA made the lives of many better but it came at the expense of a few wealthy families in Singapore particularly the Hadhrami-Arab community. As the LAA has allowed the state to built affordable housing and transformed the lives of many residents, the LAA has also transformed the Singapore Hadhrami Arab community from being the elite community of Singapore (see <https://mustsharenews.com/crazy-rich-asians-singapore/>) to a marginalised minority within a minority community. Manger (2010) notes that “in Singapore, independence signalled the start of a phenomenal economic development that also changed the fortunes of the Hadhrami’s particularly vis-à-vis the Chinese.”

CONCLUSION

The Singapore development and housing policy has greatly benefited from the land acquisitions and the sacrifices by the landowners such as the Singapore Hadhrami-Arab community should not be forgotten.

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