

# HDB should return to 'cost-based' pricing

THE various property-market cooling measures announced so far have not addressed these two fundamental issues:

## Root cause behind high prices of new and resale HDB flats

The high prices of HDB flats will naturally push up private-property prices. Thus, this issue affects all Singaporeans, even those aspiring to own private property.

In Marine Parade during the 1970s, prices of new three-room, four-room and five-room flats were \$17,000, \$20,000 and \$35,000 respectively. In 1990, new five-room flats cost around \$70,000. Such prices reflected a "cost-based" pricing approach then.

But, following the property bull run in the mid-90s, HDB switched to a "market-based" pricing approach, and has confirmed that "the prices of new HDB flats are based on the mar-

ket prices of resale HDB flats, and not their costs of construction".

In 2000, the total break-even cost (comprising construction, land and other related costs) of a new five-room flat was estimated at about \$120,000.

However, under market-based pricing, HDB will first look at the prevailing market price of, say, \$260,000 for a five-room resale flat. It will then pick a slightly lower figure of, say, \$200,000 as the selling price for the new flat - despite the break-even cost of \$120,000.

HDB will then say the new-flat buyer is getting a so-called "market subsidy" of \$60,000, which is the difference between the resale flat's market price and the new flat's selling price. There is not really a "cash subsidy" for the buyer, while the HDB makes a profit of \$80,000 for each flat sold.

The financial losses reported in HDB's audited statements could well come from "transfer-pricing" accounting between HDB, the Singapore Land Authority and the Ministry of Finance.

A plate of chicken rice costs \$3 at a coffee shop and \$20 at a hotel coffee house. It would be illogical to say that every person eating chicken rice at a coffee shop is getting a "market subsidy" of \$17 per plate!

HDB's "market-based" pricing approach is the root cause of the continual rise in the prices of new and resale flats, which is detrimental to flat buyers.

Why is HDB not doing the right thing, as a not-for-profit, low-cost public-housing developer, by pricing new flats on a cost-based, break-even basis, passing on to Singaporeans the economy-of-scale cost savings from its huge developments?

HDB flats are public housing developed using public funds.

Thus, HDB must be transparent and accountable by disclosing detailed cost figures for all its housing projects.

## Are new flats really affordable now?

While even a taxi driver could say that he was able to afford a \$35,000 five-room flat previously, he would be right to worry how his children could afford to buy a similar flat costing close to \$500,000 now.

It is misleading for HDB to say that its flats are "affordable" without clearly specifying that a 30-year loan period is assumed.

If one were to stretch a home loan for as long as 30 years, even private property would become "affordable".

For a couple with a combined monthly income of \$8,000, a 30-year HDB loan of \$500,000 with a 2.6 per cent interest rate and \$2,000 monthly loan instalment may appear to be affordable.

But, at the end of 30 years,

they would have coughed up a whopping \$800,000 in total capital and interest repayments.

A financially prudent loan period would be around 15 to 20 years.

MR SEE LEONG KIT

## HELPDESK 我的字典

**Cost-based:** 原以为准的  
yuán jià wéi zhǔn de

**Resale flat:** 转手公寓  
zhuǎn shǒu gōng yù

**Detrimental:** 有弊于  
yǒu bì yú

**Misleading:** 使人误解的  
shǐ rén wù jiě de

## WRITE TO US AT MY PAPER.

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Please include your full name, address and a telephone contact number. We reserve the right to edit letters for clarity and length.

## NLB actively promotes eResources in schools

WE THANK Mr Kwan Jin Yao for his letter, "NLB can do more to push e-resource use" (*my paper*, Oct 19).

We would like to clarify that the National Library Board (NLB) has been actively promoting eResources to several communities, including schools, book clubs and workplaces such as government agencies.

Since April last year, we have engaged over 13,000 students and teachers through talks and workshops at schools. NLB has promoted the service to 10,000 public officers from various agencies.

Aside from raising awareness, these sessions also impart information-literacy skills so that members of the public can access information which is accurate, to supplement their learning or business needs.

NLB will continue to raise awareness on the benefits of eResources.

We agree that the user experience of our eResources website can be improved. NLB is reviewing the functionality and ease of navigation of the website.

NLB currently offers video tutorials for the most commonly used databases at <http://eresources.nlb.gov.sg/VideoTutorials.aspx>, which demonstrate how users can locate materials suited to their needs.

We will review Mr Kwan's suggestions and look forward to his continued support of our library services.

**MS AMY GAY**  
DIRECTOR  
COMMUNICATIONS & DEVELOPMENT  
NATIONAL LIBRARY BOARD

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