

## RENT CONTROL IN SINGAPORE

### 1. THE LEGISLATIVE BACKGROUND

In Singapore, as in other parts of the world,<sup>1</sup> rent control was conceived in an emergency. Three years after the outbreak of the First World War, the first rent control legislation applicable to Singapore was enacted.<sup>2</sup> In 1921, three years after the end of the war, the 1917 Ordinance, together with two amendment ordinances,<sup>3</sup> were repealed and a new rent restriction ordinance was enacted.<sup>4</sup> The 1921 Ordinance's life was limited to one year. It was, however, given a further period of six months to live and finally expired in 1922.<sup>5</sup>

With the outbreak of the Second World War, rent control was reimposed in Singapore.<sup>6</sup> In its reincarnation, it has surpassed its previous lease of life. It is now in its twenty-seventh year and although it has altered with age, it shows no sign of weakening.

### 2. THE SALIENT FEATURES OF THE EXISTING LAW

All premises built or completed on or before the 7th day of September, 1947, are subject to rent control.<sup>7</sup> The law does not exempt business premises and it takes no account of the rent or the rateable value of such premises.<sup>8</sup>

In respect of premises subject to rent control, their landlords are

1. John W. Willis, "A Short History of Rent Control Laws," 36 *Cornell L.Q.* 54.
2. Increase of Rent (War Restriction) Ordinance, 1917, (No. 19 of 1917).
3. Increase of Rent (War Restriction) Amendment Ordinance, 1918, (No. 8 of 1918).
4. Rent Restriction Ordinance, 1921, (No. 3 of 1921).
5. Rent Restriction Continuation Ordinance, 1922, (No. 20 of 1922).
6. Increase of Rent (Restriction) Ordinance, 1939, (No. 35 of 1939), amended by Ordinances Nos. 4 & 70 of 1940, No. 30 of 1941 and No. 9 of 1946.

The 1939 Ordinance and amendments were repealed by the Control of Rent Ordinance 1947, (No. 31 of 1947), amended by Ordinances No. 16 of 1948. The 1947 Ordinance and amendments were repealed by the Control of Rent Ordinance, 1953, (cap. 242 of the Laws of Singapore, 1955) which is still in force. The 1955 Ordinance has been amended by Ordinances Nos. 42 and 51 of 1959, Nos. 4 and 26 of 1960, and No. 1 of 1961.

7. S. 3(1).
8. S. 2.

required to charge "the standard rent".<sup>9</sup> By the standard rent is meant the rent of such premises fixed by the Rent Conciliation Board constituted under the Increase of Rent (Restriction) Ordinance 1939 or the Control of Rent Ordinance 1947. Where this does not apply, the standard rent is the rent of the premises as at the first day of August, 1939. As for premises which were then unlet, unoccupied or unbuilt, the standard rent is the rent of the premises, at its first letting. For the bulk of the premises subject to rent control, the standard rent is therefore the rent of the premises as at the 1st day of August, 1939. The standard rent of premises does not alter with the lapse of a tenancy and the creation of another.

What increases of rent are permitted by the law?

The one significant increase of rent permitted by the law is confined to premises which were let on or before the 1st day of January, 1941, and there has not been an increase of rent since that date.<sup>10</sup> The amount of the permitted increase varies depending upon whether the premises were used for dwelling purposes or for non-dwelling purposes.

The permitted increases for premises used for non-dwelling purposes is 25 per cent of the standard rent. The permitted increases for premises used for dwelling purposes is 5 per cent of the standard, rent for premises whose standard rents are below \$35 per mensem, 10 per cent of the standard rent for premises whose standard rents are between \$35 and \$50, 15 per cent of the standard rent for premises whose standard rents are between \$50 and \$75 and 20 per cent of the standard rent for premises whose standard rents exceed \$75 per mensem.

Increases in rent are also permitted where the landlord has made certain specified improvements to the premises and where the rates payable by the landlord under the municipal ordinance in respect of the premises has been increased since 1947.<sup>11</sup> But for the great bulk of the premises subject to rent control, the only general permitted increase of rent since 1939, is 25 per cent of the standard rent of premises used for non-dwelling purposes and from 5 to 20 per cent of the standard rent for premises used for dwelling purposes.

In the same period the cost of living has increased manifold. There are no official statistics on the percentage of this increase. It is however common experience that the cost of living has gone up many times in the period and the purchasing power of money has fallen conversely. It is estimated by some that most houses under rent control should fetch about three times the 1939 rent in the free market today.

As a necessary complement to rent control, landlords are prohibited from requiring the payment of a premium, or "tea money" as it is called locally, as a condition of the grant, renewal, transfer or continuance of

9. S. 3(1).

10. S. 7(1)(c).

11. S. 7(1)(d), (e).

a tenancy.<sup>12</sup> From the absence of proceedings by tenants to recover such “tea money” from their landlords, one may be led to believe that such violations of the law are nonexistent or very infrequent. This conclusion is probably incorrect. From my own knowledge, such violations of the law are quite common. The reasons why tenants do not seek to take advantage of their landlords and recover the “tea money” are that the tenants do not regard such payment as unfair since the rents of controlled premises are often only a small fraction of the rents of premises of like amenities and location in the free market and because most tenants know that they can recover a like sum from their landlords when they surrender their tenancies, or from their assignees, or from their sub-tenants.

In addition to freezing the rent, the law also confers on tenants of controlled premises a very high degree of security of tenure. When a contractual tenancy expires or is determined by some other means, the law invests the tenants with a new status, “statutory tenants” which, in effect, makes them irremovable.<sup>13</sup> The courts are forbidden to make any order or judgment for the recovery of possession against both contractual and statutory tenants except in certain specified circumstances.<sup>14</sup> These circumstances number thirteen in the case of domestic premises<sup>15</sup> and ten in the case of premises used for non-domestic purposes.<sup>16</sup> It is remarkable that those circumstances do not include the cases where the existing premises consist of buildings of a temporary character and the site thereof is required by the landlord for the erection of buildings of a permanent character<sup>17</sup> or where the landlord wishes to demolish the existing premises for the purpose of rebuilding on the site in the interests of public health or town improvement.<sup>18</sup>

### 3. AN APPRAISAL OF THE EXISTING LAW OF RENT CONTROL

#### (a) *Why was Rent Control imposed in 1939?*

It was pointed out earlier that rent control in Singapore was a child of an emergency. It is appropriate to ask what was special about a state of war which necessitated the imposition of rent control?

In a war situation a large proportion of material and productive facilities, including manpower, must be diverted from the consumer markets including building construction and devoted to the war effort.<sup>19</sup>

12. S. 4.

13. S. 27.

14. S. 14.

15. Ss. 15, 16.

16. S. 15.

17. This is covered by S. 15(1)(i) which is suspended by S. 3 of Ordinance No. 1 of 1961.

18. This is covered S. 15(1)(k) which is suspended by S. 3 of Ordinance No. 1 of 1961.

19. Willys R. Knight, *The Post War Rent Control Controversy*, at p. 13.

The war had also seriously disrupted the import of building materials such as steel, electrical goods, and cement from the United Kingdom and elsewhere into Singapore. The then existing stock of houses was also depleted to a small extent by enemy bombardment.<sup>20</sup> In this situation the demand for housing and the rising prices of housing were incapable of stimulating an increase in the output of the building industry. Indeed, the rising prices might have the opposite effect of promoting speculation and hoarding by landlords. During the continuance of this state of affairs, rent control, by pegging down the rents of premises to a level prevailing in 1939, in effect served the function of a 100 per cent tax on "scarcity rent".<sup>21</sup>

(b) *Do the considerations which justified the imposition of Rent Control in 1939 exist today?*

There exists today no restraints on investment in building construction. The state has an efficient building industry which, according to a recent Commission of Inquiry, was operating with an excess capacity.<sup>22</sup> There is no restriction on the import of building materials from abroad, although much of them, including steel, cement, paint are being produced locally. In view of those premises, the conclusion is inescapable that the considerations which, in 1939, necessitated the imposition of rent control are absent to-day. This is not to say that there are not other considerations which may justify the retention of rent control. To those other considerations we shall turn later.

(c) *The Housing Situation in Singapore*

Very precise information on the present housing situation in Singapore is lacking. From the facts available it appears that there is a shortage of housing in Singapore. The volume of the shortage was estimated by the Singapore Housing and Development Board in 1961 to be in excess of 80,000 housing units.<sup>23</sup> Who are these families whose demand for housing has not been satisfied? Where do they live now?

The inference that one can draw from the report of the Housing and Development Board is that these people belong to the low income groups<sup>24</sup> who cannot afford to pay economic rents and are entitled to the subsidised housing of the Board. From the report it would also appear that a very great proportion of these people, about a quarter of a million are now living in the overcrowded centre of the city called "Chinatown" extending from Kallang in the east to Outram Road in the west.<sup>25</sup>

20. Singapore Annual Report, 1947, at p. 78.

21. Geoffrey Howe & Colin Jones, *Houses To Let, The Future of Rent Control*, at p. 29.

22. Commission of Inquiry into the Constructional Capacity of Singapore, Interim Report, para. 117. This report and the Final Report and. No. 4 of 1962) will be referred to hereinafter as the Lim Tay Boh Report, interim and final, respectively.

23. Singapore Housing and Development Board, Annual Report, 1961, at p. 3.

24. This refers to families whose joint incomes do not exceed \$600 *per mensem*.

25. Singapore Housing and Development Board, Annual Report, 1961, at p. 4.

The evidence therefore suggests that the housing shortage in Singapore is predominantly a problem of the broad social class, the lower income groups. This impression is reinforced by the absence of any reference in the official reports and publications to a similar shortage of housing for the middle and upper income groups or of a shortage of business premises.

On the other hand, the shortage of housing for the lower income groups is a recurrent theme in the Annual Reports of Singapore. The report for 1946, for example, states:

The existence of these slums, like the existence of similar property in England reflects the failure of an economic system dominated by the tradition of "laissez faire" to house the working classes satisfactorily. There has been and is no money to be made out of housing schemes; indeed the return on the capital expenditure after deduction of amortization charge is likely to be very low indeed. On the other hand high profits can and are being made by overcrowding, and in the circumstances of great shortage of accommodation the lessee (or sub-lessee, as he usually is) has no less interest than the lessor that such practices should continue. The inevitable conclusion is that housing of this kind must form a public responsibility and be financed, at least to a great extent, from the public purse.<sup>26</sup>

The report for 1960 states:

A detailed re-examination of the housing needs of the state indicated that in order to relieve the acute housing shortage there must be an annual output of at least 14,700 permanent housing units for the next ten years. As a public housing authority responsible for the provision of housing accommodation for those in the lower income groups, the Board does not enter into competition with private enterprise which should continue to provide houses of a higher standard for those who are able to afford them, leaving the Housing Board to concentrate on low cost housing units to cater for those whose needs are greatest and yet cannot be satisfied in the competitive open market.<sup>27</sup>

The only evidence to suggest that the housing shortage may not be exclusively confined to the low income groups comes from the Lim Tay Boh Final Report. The report contains this statement:

431. Considerable scope for private developers to contribute towards meeting the housing requirements of the growing population. The Housing and Development Board aims at building an annual average of 10,000 units, leaving 4,000 units for private enterprise and other agencies. The private sector handled in the past five years an average of 2,000 units per year, and given favourable conditions can continue to build at least that number of houses in the next five years.<sup>28</sup>

If the Lim Tay Boh Report is correct, the private sector is underperforming to the extent of 2,000 units per year. This means that part of the demand by the middle and upper income groups for housing is not being satisfied and a shortage of housing for those social classes exists now or is building up. The second possibility is that the Housing and Development Board has overestimated the volume of the demand and that 2,000 is a more realistic figure than 4,000.

26. *Ibid.*, at p. 73.

27. *Ibid.*, at p. 255.

28. *Ibid.*, at p. 48.

(d) *The Government's Housing Policy*

The Government's housing policy can be conveniently discussed under two headings, housing for the lower income groups and housing for other groups.

(i) *Housing for the Lower Income Groups*

In the beginning housing for all groups was completely left to private enterprise. In 1925, the Singapore Improvement Trust was constituted by statute<sup>29</sup> with the functions of constructing back lanes and generally of improving parts of the city. When the trust was first created it was not intended that it should undertake any housing on a large scale. Its obligation to provide housing was limited to persons rendered homeless by reason of improvement or sanitary schemes.<sup>30</sup>

"As however the shortage of accommodation became more acute and private enterprise took little action to provide accommodation the Trustees eventually decided upon the erection of houses and flats mostly for the poorer classes."<sup>31</sup>

The number of housing units completed by the Trust increased from 224 in 1947 to 3,841 in 1958 and averaged 1,700 units per year over the period of twelve years, 1947 to 1958.<sup>32</sup> In 1953 it was estimated that it was necessary for the Trust to build at least 10,000 permanent houses each year, which was to be supplemented with temporary buildings if the housing shortage was to be solved.<sup>33</sup> Measured against this, the record of the Trust was clearly inadequate.

In 1959, the government passed into the hands of the People's Action Party. This government, which is serving its second term of office, like many other governments of modern welfare states,<sup>34</sup> accepts the provision of adequate housing for the lower income groups as a social service.

On the 1st of February, 1960, the Singapore Improvement Trust was replaced by the Housing and Development Board.<sup>35</sup> The main function of the Board is to implement the government policy of providing public housing for Singapore citizens of the lower income groups.<sup>36</sup>

29. Singapore Improvement Ordinance, 1925. The Trust was reconstituted by the Singapore Improvement Ordinance, 1927.

30. J. M. Fraser, *The Singapore Improvement Trust, 1927-1947*, (Singapore), at p. 7.

31. *Ibid.*

32. Singapore Annual Report, 1960, at pp. 254, 255.

33. *Ibid.*, at p. 255.

34. See European Rent Policies, U. N. Eco. Com. for Europe, (E/ECE/170, E/ECE/JM/HOU/44) p. 3.

35. Singapore Housing and Development Ordinance, 1959.

36. *Supra*, n. 32.

The Board has been, and is engaged in the construction of three types of flats, in the proportion of 40 per cent one-room units, 30 per cent two-room units and 30 per cent three-room units which are let at rentals of \$20 per month, \$40 per month and \$60 per month respectively. These rentals are not economic rents and the difference is met by a government subsidy.<sup>37</sup> The State's Development Plan for 1961-64 envisaged that the board would build a total of 51,032 units of housing. The targets of achievement were as follows: 1960 — nil units; 1961 — 7,096 units; 1962 — 9,735 units; 1963 — 9,690 units; 1964 — 12,750 units; and 1965 — 11,760 units. The Board has exceeded these targets. In 1960 the Board built 1,682 units; in 1961, 7,320 units; in 1962, 12,230 units; in 1963, 10,085 units and in 1964, 13,028 units.<sup>38</sup>

The Board's first five year building programme will be completed in 1965. Under its second five year programme, 1966 — 1970, the Board will continue to provide low-cost housing along the periphery of the city and in Jurong. Expenditure earmarked for this programme is estimated at \$181.7 million, consisting of approximately 60,000 new units of low-cost and urban renewal housing to be provided at the rate of 12,000 units per annum.<sup>38a</sup>

(ii) *Housing for other groups*

The housing policy of the government is that housing for other groups is the responsibility of private enterprise.<sup>39</sup>

(e) *Does the present housing situation in Singapore justify the continuance of the existing law of Rent Control?*

(i) *Business Premises*

Business premises built or completed prior to the 6th August, 1947 are subject to rent control. Can this be justified? All the arguments militate against an affirmative answer. There is no evidence of a shortage of business premises. If a shortage in fact exists, it has not been shown that it is a shortage which the free market mechanism will not correct. The familiar argument that rent control acts as a redistributor of income, whatever its validity, has no relevance here. It cannot be said that the tenants of business premises are a homogenous class of persons who cannot afford economic rents. On the contrary, there is good reason to believe that it is a class of tenants who are most likely to be able to afford to pay economic rents. The rent of business premises is in the normal event included as part of the business' operating costs

37. I am informed, however, that only the first rental is subsidised. The rental of \$40 p.m. for a two-room flat is an economic rent and the rental of \$60 p.m. for a three-room flat is at a small profit.

38. Singapore Housing and Development Board, Annual Report, 1964, at p. 9.

38a. *Ibid.*, at p. 10.

39. Since 1964, the Housing and Development Board has begun to sell flats to the lower middle income group. This is defined as a family whose total income does not exceed \$1,000 p.m. and no single member of which earns more than \$800 p.m. This scheme will be discussed later.

and its burden is therefore passed on to the consumers of the services or products.

The existing law also results in inequity. The law discriminates between two owners of two business premises which have identical amenities, are of identical construction and location merely on the ground that one is built before and the other after an arbitrarily chosen date. The owner of one is required by law to charge in respect of his premises rent at the 1939 level while the other is allowed to charge whatever rent which his premises will fetch in the free market. The difference between the two may be several times. There is no justification for imposing on one section of property owners restrictions which are not imposed on other sections of property owners in like standing. It has already been demonstrated that the money income of landlords of controlled premises has remained almost constant since the war and in terms of purchasing power these landlords' income has fallen substantially.

There is also inequity between tenants. The discrimination between tenants, as in the case of landlords, rests on an arbitrary date. If there is to be discrimination between tenants it should be based on sounder criteria.

This inequity between tenants has resulted in the misallocation and underutilization of premises.<sup>40</sup> The seriousness of such misallocation and underutilization has not been studied. That the problem exists is undoubted since the result of artificially keeping rent down at the 1939 level is that the allocation of premises does not respond to economic factors. It is possible for a tenant to carry on a certain business on premises which, in the absence of rent control, it would not be economic to do. Also, because of rent control, a tenant whose circumstances have changed and who no longer requires premises as large as the one he has, has a disincentive to move.

There is also evidence that because the landlords' income has been depressed, there is a neglect to upkeep the premises. The Housing and Development Board's Annual Report for 1961 states that: "Due to rent control the landlords have allowed their properties to fall into disrepair"<sup>41</sup> This is undesirable as the society's stock of housing is being allowed to deteriorate at any unduly rapid rate.

Against these formidable reasons for decontrolling all business premises is the argument that unselected decontrol of business premises will inflict hardships on some tenants. A tenant of premises on which he carries on a small business, say, of a provision shop, may find his small profit eaten away by the increase in rent. Another tenant may find it impossible to carry on his business because with the increase in rent he will be making a loss instead of a profit. Such a tenant has three courses of action open to him. He may look for alternative premises with lower rent to which he can move his business. No suitable premises may be found. Even if premises of a lower rent were available they

40. Cf. *European Rent Policies*, *op. cit.*, pp. 4, 19.

41. *Ibid.*, p. 4.



may be inconveniently located so that the business is unsuccessful. The second course open to him is to undertake a different and more profitable business on existing premises. He may not succeed in doing this. A third possibility is for the tenant to abandon his business and to seek employment with another. Here again, he may well be unsuccessful. One has to remember that there is a problem of unemployment in Singapore to-day. It is therefore important to estimate the effect of decontrol of business premises on unemployment. Will it result in the displacement of small businesses from controlled premises with the consequence of driving the affected tenants into the ranks of the unemployment? What numbers of tenants are likely to be affected in this way? We don't know. It is certain that the incomes of some tenants will be diminished. It is also certain that some tenants will have to move to other premises. It is probable that some tenants will have to change the business that they have been engaged in to some other economic activity. It is also probable that some tenants will be rendered unemployed. The numbers likely to be affected cannot be accurately estimated.

Are these consequences undesirable? Whether they are or not must depend upon one's values. Let us assume that they are regarded as undesirable by the government. Is the solution to leave things alone, knowing that the status quo is discriminatory, inequitable and also results in the misallocation, underutilization and abnormally rapid deterioration, of the society's stock of housing? Is it possible to do justice to the landlords, to protect the other interests of society, and at the same time to avoid inflicting hardships upon the tenants?

In theory it can be done. The objectionable features and consequences of the status quo can be ended by the decontrol of all business premises. The undesirable consequences flowing from decontrol can be prevented or minimised by the introduction of social measures designed to that end. The government can assist tenants to look for alternative premises. The government can contribute to the supply of alternative premises. The government can also generate new employment opportunities and assist tenants to secure new employment. The government can also make available benefits to cushion the impact of economic dislocation. These social measures will obviously cost money to implement. Any government will have to cost the programme and ascertain whether it can afford to pay for it. Even if money is available the government may have other priorities. If money is not available the government will have to consider whether it wishes to raise the revenue required and how it can best be done.

If the above proposal is rejected because it is found to be impractical, is there an alternative solution? It has been suggested that an alternative solution is to decontrol premises whenever they fall vacant.<sup>42</sup> It is also proposed that the law should permit tenants to accept a sum of compensation from the landlord as a consideration for vacating the premises. If the landlord and tenant were unable to agree on the amount of compensation it is further suggested that the law should provide that

42. This suggested solution has been put to me by Mr. William Lim Siew Wai in private conversations with me.

the landlord can compel the tenant to vacate the premises if the landlord will purchase for the tenant premises from the Housing and Development Board. The premises must be reasonably suitable for the tenant's business.

Why should the landlord be required to pay compensation to the tenant or to buy premises for the tenant in order to regain vacant possession of the landlord's premises? It is argued that the landlord should be required to do so because he will be able to recover the money expended from the increased rentals of his decontrolled premises or from re-developing his property. The fact that the landlord may be able to recover the money expended is not a justification for imposing this liability on him. Not all landlords are wealthier than their tenants. Nor are wealthy landlords the only group of persons in society who have the capacity to pay. Why pick on the landlords of controlled premises to shoulder the burden? There does not seem to me to be any rational and just reason for imposing this liability on the landlord. Its merit lies in its expediency.

(ii) *Premises occupied by the Middle and Upper Income Groups*<sup>43</sup>

Is there some practical method by which the premises occupied by the middle and upper income groups can be separated from premises occupied by the lower income groups? There are at least two techniques. The first is to use a selected rental to separate the premises occupied by the middle and upper income groups from those under the occupation of the lower income groups. This technique makes the assumption that the premises with the highest rents are in the occupation of the more well-to-do tenants. It is only possible to say what figure should be selected to divide the premises into the two categories after a sample survey has been taken. Such a survey should reveal some approximate figure which marks the watershed between premises occupied by the lower income groups and others.

The second method is to classify the premises according to regions. It has already been pointed out that a great proportion of the low income groups live within Chinatown which is easy to demarcate. It is also the case that there are many areas in the Republic in which only the middle and upper income groups live. These areas can also be demarcated. The minimum area for demarcation is a road or part thereof. Difficulty arises in the areas where there is an admixture of social classes. There is some merit in combining the two methods. Demarcate by regions wherever this is possible. Where impossible, resort to the first method.

Is the continuance of rent control of premises occupied by the middle and upper income groups justifiable?

As in the case of business premises these tenants can probably afford to pay rents in the free market. After decontrol, however, these tenants will have to spend a higher proportion of their incomes for rent, exactly

43. We have earlier referred to the Housing and Development Board's definition of the low income group as that group of persons whose joint family incomes do not exceed \$600 p.m. It follows that families whose joint incomes exceed that ceiling come within the middle income group or the upper income group.

as those of their peers who are now living in uncontrolled premises are doing. In more practical terms, it will mean that the affected tenants will have to readjust their past pattern of expenditure, possibly diverting some money from expenditure for, say, luxury goods or savings to payment for rent.

The arguments that the existing law is inequitable, that it results in the misallocation and underutilization of premises and the neglect by landlords to upkeep their premises are all equally applicable here and all militate against the retention of rent control for those premises.

This conclusion is also in consonance with the Government's housing policy that private enterprise will attend to the middle and upper income groups. Since February, 1964, however the government has attempted to cater for persons in the lower middle income group also.<sup>44</sup> In 1964, the Housing and Development Board sold 2,068 two and three-room flats on 99 years leases to persons in the lower middle income group. The price of a three-room flat was \$6,200 and a two-room flat sold for \$4,900. The Board also offered loans to those who were unable to buy the flats outright. We are informed that this group of persons are unable to buy their own homes in view of the prevailing high prices. We are not told, however, that they are unable to pay rents for premises in the free market. The basic objective of the scheme, we are informed, is "to encourage a property-owning democracy in Singapore and to enable Singapore citizens in the lower middle income group to own their homes."<sup>45</sup>

### (iii) Premises occupied by the Lower Income Group

The question whether premises occupied by the lower income groups should be decontrolled is more difficult for there are arguments on both sides. Many of the arguments advanced above are relevant here. The existing law is inequitable because one section of property owners are selected in reference to an arbitrary criterion for discriminatory treatment. There is also inequity between those who are tenants of controlled premises and others who are not and who have not been successful in obtaining a Housing and Development Board flat or who cannot afford it. The premises are being allowed to deteriorate more rapidly than is necessary.

It may however be argued in justification of the existing law that rent control acts as redistributor of income, transferring income from relatively wealthy landlords to the relatively poor tenants. This argument is open to several criticisms. First, not every landlord of controlled premises is wealthy. Second, even if it were true that as a class, the landlords are more well-to-do than their tenants, there is still no justification for selecting this group of property owners to bear the sole burden of subsidising the rents of their tenants. This method of redistributing income runs counter to the basic principles of public finance generally understood and accepted both locally and abroad.<sup>46</sup>

44. Singapore Housing and Development Board, Annual Report, 1964, pp. 9-10.

45. *Ibid.*, at p. 9.

46. See European Rent Policies, *op. cit.*, at p. 26.

If we accept that the present impasse is inequitable what should we do about it? Before we can decide on what to do we should first state our social objective. We wish to remove the inequity to the landlords caused by the existing law. We wish to see that houses are kept in a state of adequate maintenance. At the same time, we wish to see that the lower income groups are adequately housed and housed within their means. We do not wish to see persons having to divert their expenses for food, for the education of their children, for medical services to payment for rent increases. Nor do we wish to see these persons moving to worsened conditions of living.

Given those policy sign posts, what routes are open to us? The first is for the Housing and Development Board to acquire all or a substantial portion of the premises presently occupied by these groups of tenants from their owners and to let the premises to tenants on the same terms as the Board lets its present stock of houses. A similar proposal has been advocated by a number of British Socialists as the solution to the problem of rent control in England.<sup>47</sup> This proposal has several merits. It is in line with the government's policy of providing adequate housing for the lower income groups at subsidised rents. It will eliminate the undue decay of the premises. It ends the inequity to the landlords.

The only demerit of this proposal is the tremendous cost involved in implementing it. The government may have already committed its funds to other projects which it regards to be more important, such as in building more new houses for the lower income groups or in industrial development. Even if funds are available, the government may still be unwilling to accept the solution for a number of reasons which are equally applicable to other proposals for the reform of the existing law.

The landlords are not a very vocal or politically influential group in the Republic. The financial injury to the landlords, real though it is, is too sectarian to evoke any widespread dissatisfaction with the existing law. On the contrary, the tenants, being both more numerous and therefore more influential politically than the landlords are certainly going to oppose any change which adversely affects their interests. Besides, rent control has been with us for so long that people's attitude has been conditioned to accept the assertion that because there is a building shortage therefore rent control is justified as beyond question. For all these reasons, the government may prefer to do nothing and let the problem solve itself in time when all the controlled premises, many of which must be in their middle or late years, become uninhabitable.

A second possible solution would couple the decontrol of rent with the introduction by the government of a housing allowances which will be given to all applicants who can demonstrate a need for assistance. This solution is on principle faultless. It may meet the pragmatic objection that the government cannot afford to pay the bill for instituting this allowance. When such a plea is proffered by a government what it really amounts to is that the government is unwilling to raise the additional revenue required to pay for its cost.

47. David Eversley, *Rents and Social Policy*, (London, 1955), at p. 34; James MacColl M.P., *Plan for Rented Houses*, pp. 31-32.

A third possible solution is the one which has been adopted by the Malaysia Control of Rent Act, 1966. Under the scheme of that legislation the rent of controlled premises shall be known as the fair rent.<sup>48</sup> The fair rent can be arrived at in one of three ways. It is the rent agreed to by the landlord and tenant after negotiations.<sup>49</sup> In the absence of such agreement, the fair rent of a tenancy is the rent fixed by a Rent Officer where the decision of the Rent Officer, is accepted by the landlord and tenant.<sup>50</sup> Where either or both parties would not accept the decision of the Rent Officer, the dispute may be referred by either landlord or tenant to a Rent Tribunal.<sup>51</sup> The order of the Rent Tribunal shall constitute the fair rent of the tenancy.<sup>52</sup>

By what criteria or principles would a Rent Officer or a Rent Tribunal fix the fair rent of a controlled premises? The Act<sup>53</sup> prescribes the following factors which shall be taken into consideration:—

- (a) the location of the controlled premises in question;
- (b) the age and character of the controlled premises;
- (c) the state of repair of the controlled premises;
- (d) the type of the controlled premises, that is, whether the premises is business or domestic premises; and
- (e) any improvements made to the controlled premises by the tenant where such improvement was made with the written consent of the landlord.

Having taken those factors into consideration, a Rent Officer and a Rent Tribunal would still be unguided as to what is the fair rent of the controlled premises. Is it the rent of the premises in the free housing market? Presumably not. Otherwise a simple measure of decontrol is sufficient. If the fair rent is not the rent which the premises will fetch in the free market, what percentage of the free market rent is the fair rent? Should the Rent Officer and Rent Tribunal take into account such factors as the landlord's opulence and the tenant's poverty?

In view of the absence of satisfactory criteria for fixing the fair rent, it is not unlikely that the decisions of the Rent Officers and Rent Tribunals will be inconsistent and unreal to articulable criteria. This will probably generate dissatisfaction with those authorities.

We can also expect a large proportion of the landlords and tenants

48. S. 5.

49. S. 5(1) (a).

50. S. 5(1) (b).

51. S. 7(6).

52. S. 5(1)(c).

53. S. 6.

of controlled premises to fail to agree on the fair rents of their respective premises. If they were to take their disputes to the rent tribunals, the latter would be submerged by the volume of work.

In short, this solution of the problem is very unsatisfactory social engineering. As the solution is not tied to the introduction by the government of a housing allowance for needy persons, the solution also fails to attain the social objective set out earlier.

If decontrol of rent is unacceptable then certain smaller changes should be considered. It would be desirable to permit a general increase of rent. This increase should absorb the rise in the cost of maintenance and include some amount which will go some way, if not the whole way, to mitigate the discrepancy between the purchasing power of money in 1939 and to-day.

In addition, the government should make available loans at low rates of interest to landlords who wish to effect repairs to their premises. This will be necessary because in those cases where the premises have over the years been allowed to fall into a state of disrepair, the initial capital outlay for restoring them to a reasonable condition may be beyond the capacity of some landlords. In France where this problem had arisen, a National Housing Improvement Fund was created to subsidise housing repairs and alterations. In Germany, loans at low rates of interests are available to landlords who wish to repair their premises.<sup>54</sup>

*(to be continued)*

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54. European Rent Policies, *op. cit.*, pp. 21-22.

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