

# Speech by President Tony Tan Keng Yam at Temasek's 40th Anniversary Dinner

Istana, Singapore

22 September 2014

Prime Minister Lee Hsien Loong

Ministers

Temasek Chairman Lim Boon Heng

Temasek Board members

Ladies and Gentlemen

My wife and I are very happy to join you tonight to celebrate the 40th anniversary of Temasek Holdings. I warmly welcome the many distinguished guests, from home and abroad, to the grounds of the Istana tonight.

## *An Unexpected Beginning*

Established within the first decade of Singapore's independence, Temasek was a company like no other. It was an experiment, born out of necessity.

In its first decade, the Singapore Government had pushed hard to industrialise, and to find a living for its people. It provided loans to some companies, and co-invested in others, in order to encourage investors to create jobs in Singapore. In 1968, it took the various industrial loans and put them together, with the support of local banks, to form the Development Bank of Singapore, now DBS.

Then came the announcement of the British plan to withdraw its Far East forces by 1971. The British forces based in Singapore contributed to 20% of our island nation's GDP and accounted for one fifth of its jobs.

This spurred a huge effort to convert the British military and naval bases to other facilities in order to keep the jobs. Naval yards became ship repair yards, and naval workshops became engineering companies.

By 1974, the Singapore Government owned shares in a motley collection of companies, from detergent manufacturers to chicken essence producers, from newly converted shipyards to a startup airline.

It was clearly not the business of government to run such enterprises, and so Temasek was set up to take over and own some 35 companies and miscellaneous investments.

This provided a clear separation between the role of Government as a policy maker and regulator, and the role of Temasek as the shareholder and commercial owner of companies.

It was a fine distinction and even today, forty years later, it is a distinction that remains unclear to some.

Governments the world over tend to keep close links to corporations, even if they only have a small stake - governments and politicians tend to harbour ambitions to control and direct the business of such companies. Political patronage may dictate senior appointments at the boards and management of State-Owned Enterprises (SOEs).

Many state-owned companies or SOEs around the world are protected from competition and cushioned from corporate realities through subsidies in various guises.

This leads to an unlevel playing field.

Other SOEs may become instruments for achieving politically-driven agendas.

Their workforces may balloon, while their cost burdens become unsustainable.

Singapore saw all these scenarios as unacceptable.

As a nation, we have no oil and mineral wealth. With land only barely bigger than Lake Tahoe, we only had our people, and our collective will to survive.

We sought to build robust public institutions, free of corruption and sanctioned by the rule of law.

We concentrated on education, to ensure future generations of Singaporeans were well-equipped to deal with a changing world.

And we opened our economy, embraced free trade, foreign investment and capital flows.

We kept an eye on our nation's future. Just as our people have a strong culture of savings, government also set out to live within its means from day one.

Thus, Temasek was born in this fluid milieu of early nationhood, of self-reliance and fiscal prudence, of the imperative to strive for survival while fostering unity amidst the diversity of race, language and religion in Singapore.

Temasek is but one of the many Singapore institutions which epitomises this culture of constant hard work and ceaseless innovation to build for the future.

### ***Protecting our Reserves***

And so Singapore's wealth grew - from the value of assets, held and grown by institutions like Temasek over the years; from the budget discipline of successive Governments, all committed to live within their means and paranoid about building for future generations and not just spend past or future generations' earnings; from the hard work and savings of her people.

Our wealth was not held in cash and shares alone. Our assets include land - scarce for such a small country as Singapore.

These constitute the wealth and reserves of our nation, to support our present and future generations. It is to protect these hard earned reserves accumulated over generations, that the Singapore Government proposed amendments to the Constitution in 1991, to enshrine the philosophy for each Government to live within its means, and not lightly touch the reserves built by previous Governments. At the time, this was almost without equal.

This concept of protecting past reserves was also extended in the Singapore Constitution to key institutions such as Temasek, GIC, MAS and CPF, as well as Government agencies responsible for significant land assets such as JTC and HDB, for industrial and housing land respectively. These institutions have constitutional responsibilities to protect their respective past reserves, and are collectively known as the Fifth Schedule entities.

Our principles are framed around some key concepts. The first is that the Government of the day can only spend current reserves accrued within its own term of office; each Government can only spend what it can earn, and deliver a balanced budget over its term of office.

And the second is that a second key protects the past reserves. The second key would be vested in an elected President, who will decide independently whether to approve a draw on past reserves.

The President also exercises independent veto powers on decisions to appoint, or to remove board members and the chief executives of Fifth Schedule entities. This was intended to protect the integrity of their boards and managements.

These are not just mechanical or legal requirements. They go to the heart of protecting our nation's nest egg, our past reserves; be it the Government and its past reserves, or the board and management of any Fifth Schedule entity and their respective past reserves.

Of course, we have little choice but to be careful with managing our reserves. The reserves have been built up over many years by men and women who have worked hard and saved prudently. We don't have the luxury of replacing our reserves with mineral or oil revenue.

Temasek has played its part as a steward of its own company reserves, and I thank the Board and management - past and present - of Temasek for their strong sense of purpose and commitment to these principles.

### ***Temasek and its portfolio companies***

The adherence to the principles I just spoke of played a role in the steady growth of Temasek even as it evolved over the years.

There is also a shared commitment to meritocracy, commercial discipline and accountability among the Temasek portfolio companies or TPCs. It is a particular delight that some of those who played leadership roles in these companies in the early days of our independence are here with us tonight.

Many TPCs became regional and global champions in their own right, from rig-builders to airlines, from real estate to engineering.

The Government did not make them champions. Temasek did not make them champions. They competed freely against the best in the world for a customer base far larger than our home market. They earned the support and trust of their customers in a globally competitive marketplace.

In all cases, these companies leant on their biggest assets - their people - to adapt, grow and compete.

Like its portfolio companies, Temasek itself has also expanded beyond Singapore.

It has investments across all the continents, and where it goes, it represents the standards and values of Singapore: Integrity, meritocracy, fairness, humility, a trusted partner and a commitment to the long term.

Geopolitical and other risks may, from time to time, threaten economic growth and social cohesion, or overturn conventional business models.

This highlights the importance of focusing on the fundamentals of growth, especially for the longer term. All the more important for a long term investor is the need to maintain consistency in the exemplary standards and values for which Temasek is so well-known.

### ***Helping those in our Community***

While Temasek has increasingly become a global investor, I greatly welcome Temasek's commitment via its various non-profit philanthropic organisations to support those in our community who need help, both in Singapore and further afield.

I am also heartened to note that the Singapore companies in the Temasek portfolio are also active contributors to their wider communities, not just in terms of funding support, but also in bringing their knowledge and expertise to bear in finding solutions to some long standing needs.

I have seen many community groups and projects benefit from the long term commitment of Temasek, and the Temasek portfolio companies. I know many from those organisations are here tonight, and I thank them for their work.

### ***Conclusion***

Ladies and Gentlemen, for an institution that thinks long term, forty years may not seem a major milestone. However, for a country that is just a little shy of its fiftieth birthday, Temasek is but one very good example of how we think, act and invest as a community.

Temasek has inculcated standards of governance among its portfolio companies, and leads the way to think and plan for the long term as a trusted steward.

From a humble beginning forty years ago in a tiny office at the mouth of the Singapore River, Temasek has come to be regarded as one of the foremost global equities investment companies today.

I especially reflect on those individuals who had the courage of conviction to make Temasek, and its portfolio companies, much greater than I think our early leaders would have expected.

Ladies and Gentlemen, the journey has been a remarkable one. I wish Temasek Happy 40th birthday and many more to come.

Thank you very much.

This speech can also be found on the Official Website of the President of Singapore;<http://www.istana.gov.sg/content/istana/news/speeches/2014/speech-by-president-tony-tan-at-temasek-holdings-40th-anniversar.html>