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Partial privatization, corporate governance, and the role of state-owned holding companies

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- Singapore
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JEL-Classifications:

- G38
- L33

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Notes


1. In this paper, GLCs refer to local firms wholly or partially owned by the government. Hence, they can be subject to further privatisation. The term does not include government-owned firms which are not subject to the same requirements and regulations. In this sense, it is a narrower concept than the SOH. In the context of this paper, the SOH refers to the SOHs in Singapore.
2. By contrast, the SOHs are subject to the same requirements and regulations as the GLCs, in this sense, it is a broader concept than the SOH. In the context of this paper, the SOH refers to the SOHs in Singapore.
3. 'Tea' is a common term used in Singapore to refer to the SOHs. The SOHs are subject to the same requirements and regulations as the GLCs, in this sense, it is a broader concept than the SOH. In the context of this paper, the SOH refers to the SOHs in Singapore.
4. Although the SOHs are subject to the same requirements and regulations as the GLCs, in this sense, it is a broader concept than the SOH. In the context of this paper, the SOH refers to the SOHs in Singapore.

‘consolidated financial information’ summarized by the THL from the underlying audited consolidated financial statements). But THL still requires the approval of the Elected President of Singapore on its annual budget (to ensure that past reserves are not drawn without explicit approval from the president) and appointments, reappointments and/or removal of the board members or CEO.

5. Chan, Fiona, 2005, Set up single governance body: SIAS, The Straits Times, October 13, 2005.

6. [Singh and Siah \(1998\)](#) and [Ang and Ding \(2006\)](#) have argued along a similar line. Ang and Ding (2006, p. 72) review that the THL has a team that looks after stewardship matters of companies in which it has at least a 20% share ownership. The THL ‘does not seek waivers from disclosures, is open to GLCs being acquired, and limits the tenure of board members to a maximum of 6 years’. Following the success of the THL, other SOHs like Mainland China's SASAC have expressed interest to learn a thing or two from the THL.

7. See [Ho \(2004\)](#). Since inception, the THL has provided its shareholder (the Minister for Finance) with an average annual cash dividend yield of more than 7% (over the last three years, cash dividends amounted to an average of S\$1.3 billion a year).

8. The debate on divesting the GLCs intensified after several failed acquisitions from the GLCs.  and Wireless by 2002 and the Singapore Air New Zealand calls for divestment 65% and gave up Singapore Telecom (Indonesia) in 2002 fell in Singapore. It is not necessary to correspond to the interests of the public. 9. MacAvoy (2004) argues that the separation of ownership and control among listed companies.

10. EVA represents returns over the cost of capital of the firm.
11. 'Singapore's Mr Buffett', Australian Financial Review, May 24, 2002 (extracted from <http://www.singapore-window.org>). The Temasek Review 2005 contains the EVA performance of the major Temasek-Linked Companies.
12. Using the case of Singapore Technologies Engineering (which is partially owned by the THL), [Conyon \(2006\)](#) estimated that stock option compensation accounted for only about 10% of the total compensation, which was smaller than that of the UK (12%) ([Conyon and Murphy 2000](#)) and the US (where a typical CEO at the S&P 500 list received about 50% of his/her pay in terms of stock options) ([Murphy 1999](#)).
13. [Singh and Siah \(1998\)](#) also show considerable interlocking directorship among GLCs (see [Singh and Siah 1998](#), p. 43, Table 9). Judging from the performance of the GLCs, the authors conclude that the Singapore experience has been positive. However, [Phan and Mak \(1998\)](#) warn that a high percentage of interlocks between competitors in the same industry may lead to 'moderation of competitive intensity'.
14. Refer to Temasek Review 2005.
15. The model has worked generally well, at least in the Singapore case. But it is not free from criticisms. [United States, State Department \(2001\)](#) expresses concerns that (1) government involvement in the management of GLCs creates an unfair advantage for former civil servants to take appointments at the THL. Minister Lee Hsien Loong of PM Lee is currently 10% of the Lee family because of the perceptible number of politically connected Business Week, 2001. Th (see [Low](#)



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