

Media Coverage

Even in Singapore, It Makes Sense to Pour Money into Infrastructure

Steven Cranwell, Head of Commercial Banking, HSBC Singapore

(This article was first published on 19 April 2017 by The Straits Times)

The Romans were obsessed with building roads, and rightly so, as they ensured the swift movement of goods, people and information and helped unite the empire. Fast forward to the 21st century and government focus on infrastructure building has not dimmed, particularly in Singapore.

The soon-to-be-announced tenders for the construction of the North-South Corridor (NSC) will signal the start of Singapore's latest big-ticket project. The NSC is a 21.5km integrated transport passageway that encompasses bus, cycling and pedestrian lanes.

It will connect residential towns in the more northern regions, including Woodlands, Sembawang, Yishun and Ang Mo Kio, to Singapore's city centre, reduce travel times to town by up to half an hour, and link commercial activity between the north and south of the island. While its planned completion date is in 2026, the trade and commercial benefits for Singapore will be both far-reaching and immediate.

The Land Transport Authority (LTA) has kick-started the process and called for pre-qualification from potential contractors for 10 separate packages to support the construction for the first half of the corridor. The sectors that will initially gain the most from this project include construction, architecture, and civil, structural and electrical engineering firms. They will all be vying for roughly \$8 billion worth of NSC contracts.

Once construction begins, the project will require raw materials, steel, machinery, and components for machinery and maintenance. That means more business for miners and heavy equipment manufacturers which will inevitably open up new channels of trade activity between Singapore and supply countries such as China, Germany, the Netherlands, Canada and Australia.

There will also be a swathe of downstream opportunities for business services such as accounting and human resource management which will lead to a natural demand for services that support these businesses. And this does not even begin to cover the number of jobs created just in the building of the corridor.

Additionally, the project's intended objective of opening up transport routes will be the catalyst for the development of new communities and commercial districts along the corridor, such as Seletar and Mandai. That in turn provides opportunities for commercial and residential real estate development, further encouraging the growth of local small and medium-sized enterprises.

When you build a road like the NSC, you not only generate employment and commercial growth directly through its construction and maintenance, you also create an industrial base of businesses that will both support and benefit from the corridor.

The NSC will also cut the commute time for people coming into Singapore from Johor. According to Malaysia's immigration data, over a quarter of a million people use the Causeway located in Woodlands daily, making it one of the busiest crossings in South-east Asia. That's a whole lot of economic activity being channelled to the corridor, not to mention the business NSC itself generates.

The NSC's tender process will see corporations seeking financing arrangements, banking partners, project specifications, environmental impact studies, sustainability studies and cost-benefit analysis. Singapore's capital markets are likely to benefit from corporates looking to raise funds for their ongoing operational needs. This will hopefully attract institutional investors from near and far seeking infrastructure investment for their portfolios.

PUBLIC

Registered Office and Head Office:
21, Collyer Quay, #13-01, HSBC Building, Singapore 049320
Web: www.hsbc.com.sg
Incorporated in the Hong Kong SAR with limited liability.



The commercial opportunities linked to NSC aren't exclusive to domestic companies. Some of the leading construction, engineering and business services firms in Singapore are multinationals and this means that many of the business services which will support the project are likely to be from international companies.

The hive of activity will also raise the potential for foreign direct investment into Singapore as large international conglomerates seek to get direct exposure to the commercial growth opportunities. With that comes increasing demand for foreign exchange and treasury services.

Finally, property development along the NSC will also spin off a new wave of tendering and financing requirements.

There's a school of thought that says you cannot build anything in complete isolation. Rather, you have to repair the world around it. And this is what the North-South Corridor means to Singapore's economy at a macro level. Infrastructure projects, such as the NSC, have a huge multiplier effect. A working paper from the San Francisco Reserve Bank shows that on average, each dollar spent on infrastructure results in a two-fold return.

When you build a road like the NSC, you not only generate employment and commercial growth directly through its construction and maintenance, you also create an industrial base of businesses that will both support and benefit from the corridor.

Infrastructure is a long-term and far-reaching investment. It is the building or improving of the environment for businesses, and consequently the economy, to prosper. The NSC is part of a series of infrastructure projects that sets about to do exactly that.

ends/all