PM's National Day Rally Speech

In 1984, the government presented Vision 1999. We aimed to be a developed country in 15 years, specifically, to achieve Switzerland's 1984 per capita income by the year 1999.

How have we done? What policies must we pursue, and what pitfalls must we avoid, to achieve our goal?

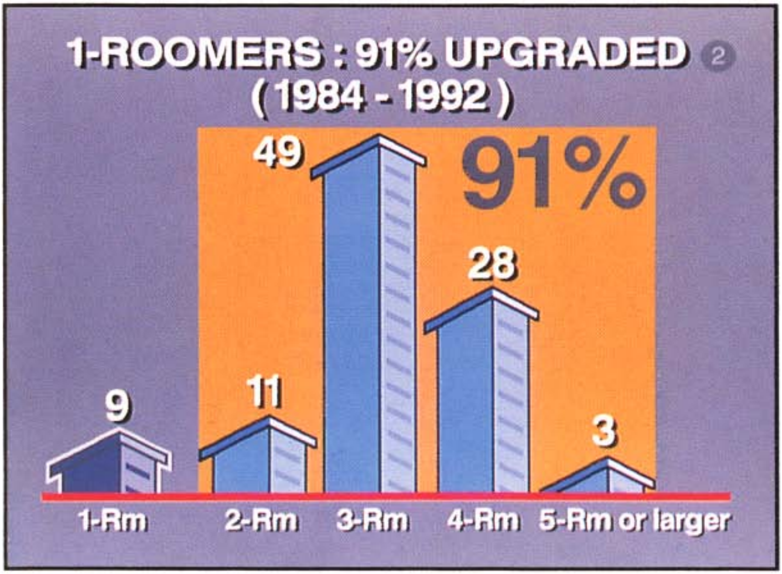
Chart 1 shows how we have done so far. In 1984, our per capita Gross Domestic Product (GDP) was US$14,900, which was less than half of Switzerland's US $31,800. In 1991, our per capita GDP reached US$20,400 (in 1984 prices) or about two-thirds of Switzerland's.

Our quality of life has improved. We have better housing, good basic healthcare and fast convenient transport.

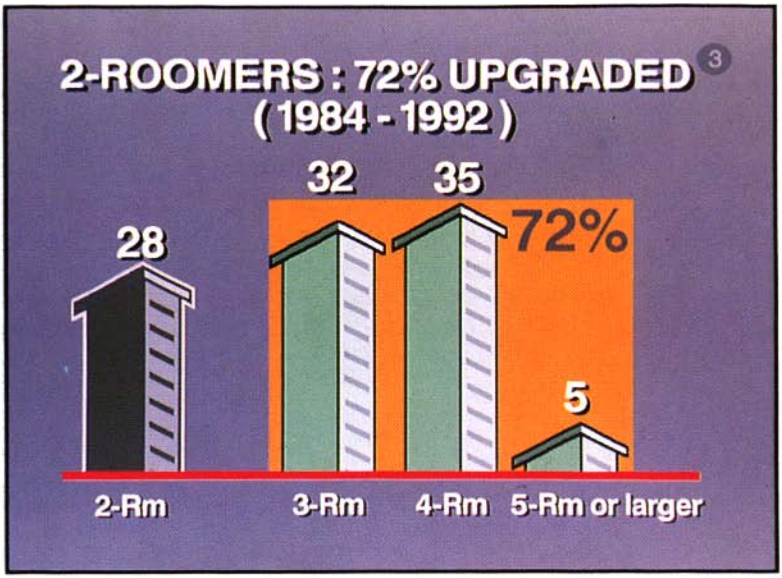
But I am particularly satisfied over 2 areas. Firstly, health. Within a short span of 7 years, our life expectancy has increased by 4 years, from 72 years in 1984 to 76 years in 1991.

Secondly, prosperity is well spread. Let me illustrate this point with findings from the Housing and Development Board (HDB).

HDB did a sample survey of rental dwellers in 1984. They surveyed 7 blocks of 1- and 2-room flats in 5 older HDB estates —Balestier, Queenstown, Kallang Airport, Macpherson and Toa Payoh. They located 4,342 residents living in 1,098 units. HDB tracked these residents to see where they are living today. From HDB records, they managed to trace 80 per cent of them.



From Chart 2, we can see that 91 per cent of 1-roomers have upgraded between 1984 and 1992. Nine per cent still live in 1-room flat. We will look for ways to see how we can help them to upgrade. Thirty one per cent now live in 4-room, 5-room, or larger flats.


2-ROOMERS : 72% UPGRADED
(1984 - 1992)
3
28
32
35
72%
5
2-Rm
3-Rm
4-Rm
5-Rm or larger

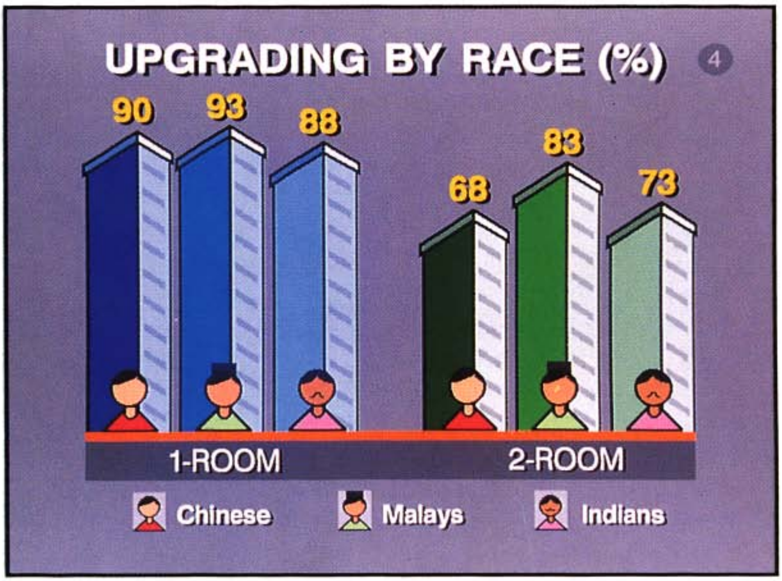

UPGRADING BY RACE (%)
4
90
93
88
68
83
73
1-ROOM
2-ROOM
Chinese
Malays
Indians

Chart 3 shows that 72 per cent of 2-roomers have upgraded to 3-, 4-, 5-room or larger flats. Some 40 per cent now own their own flats, either 4-room, 5-room or larger ones, and this upgrading is not limited to any one community, but is spread throughout all the major 3 communities, as can be seen from Chart 4.

Ninety per cent of Chinese in 1-room flats have moved to bigger flats; 93 per cent for Malays; and 88 per cent for Indians. For the 2-roomers, the Malays have done particularly well — 83 per cent as against 73 per cent for Indians and 68 per cent for Chinese. Malays have every reason to be proud, because they have, over the years, upgraded themselves from rental blocks to their own homes, some from 1 to 2 rooms, others to 3, 4 and 5 rooms or larger.

How far are we from achieving our Swiss target of US$31,800 in per capita income? If we grow by 7 per cent, we can achieve the target by 1999. If we grow by 6 per cent, we can achieve the target by 2001. And if we grow by 5 per cent, we can achieve the target by 2003.

We are likely to grow by 4 to 6 per cent per annum, or only an average of 5 per cent per annum. That means we are already 4 years off target. Even then, there is no guarantee that we can achieve it.

HARDER TO ACHIEVE HIGH GROWTH

Going getting tougher

The going is getting tougher, not easier, because the world economy is troubled. The United States (US) is in debt, while in Europe, reunification problems with East Germany are slowing down Germany. The European Community is affected by developments in Russia, the Commonwealth of Independent States, East Europe, Poland, Czech-Slovak republics and the break up of Yugoslavia.

The days of double-digit growth are over. Singapore's economy is maturing. The impetus for growth in the 1970s and 1980s came from the 3 per cent population increase in the 1950s and 1960s. But, birth numbers in the 1970s and 1980s were small. Last year, our natural population increase was down to 1.2 per cent. This is not enough to meet the economy's labour demand. Fortunately for the future, our birth figures are slightly over 50,000 per annum instead of 45,000. Although we can import foreign workers, we are also reaching the ceiling for more foreign workers.

Competition in the export markets has also become tougher. We have lost our Generalised System of Preferences status in the US, and may lose it in the European market. This means that we are now competing without the special tariff preferences which are given to a developing country.

To illustrate the implications of a mature economy, let me compare the current slowdown with other industrialising countries in the region, whose current stage of development is like Singapore's 10 to 15 years ago.

From Chart 5, you can see that we are affected more severely by the slowdown in the international economy than other Newly Industrialising Economies (NIEs).

Singapore's competitive position is like SIA's

The present stage of our economy is like SIA's — it is maturing. SIA's heady years of youthful growth is over. In the early days, wages of local pilots, stewards and stewardesses were competitive. Hence, it was easy to recruit cabin staff. Now, wages are nearer international level, and SIA needs larger numbers of young SIA girls. Today, SIA has 3,000 cabin crew, compared with less than 1,000 in the 1970s. It is not easy to recruit such numbers and yet maintain high standards.

SIA also had many new routes to expand to during their early years, Now, it flies to 68 cities in 40 countries. SIA finds it difficult to acquire new and profitable routes. For example, to fly to New York, SIA took many years to prepare. The start up costs, mainly in advertising and promotions, exceeded $10 million and $0.5 million in fireworks alone.

But there is no guarantee that SIA can succeed. All it has is the determination that it can succeed. The stakes are high and competition is intense and getting tougher. I will give two examples.

We are very proud of our fastest service to New York and back. That was only 2 months ago. But Northwest Airlines has fought back. It is about to restructure its SIN-NY flight to cut flight time to 20 hours and 30 minutes, which will be 2 hours and 5 minutes faster than SIA's. This may not be important to a tourist, but it is important to a businessman. Fortunately for SIA, it will still be faster on the return leg as a result of tailwinds: 1 hour and 40 minutes ahead of Northwest. This is the sort of tough competition we are encountering and we got to be 'on the ball' like SIA.

Another example: Many developing countries are also going international, like SIA, and they have the advantage of lower wages. Asian airlines like Cathay Pacific Airways, Thai Airways and MAS are all out to overtake SIA. SIA's competitiveness, its readiness to fight back and to compete is what makes investors bullish on SIA's future. Mr Sim Chey Hoon, an investment analyst in a stock-broking firm wrote in the *Sunday Times* (26 July 1992):

> "SIA shares offer good value for investors who are willing to take a longer-term perspective. SIA has a successful product that puts it in good stead to compete effectively — superb in-flight service, a modern fleet and strong financial position."

Mr Sim's analysis assumes that SIA's management and workers can and will keep up their high standards and increase productivity to meet leaner, hungrier and fiercer low wage competitors. SIA's good management and high productivity is taken for granted.

This is exactly my worry. Singaporeans have taken good government for granted. They assume that just because Singapore has done well in the past, it will continue to do well in future. Yes, Singapore can do well, provided we all make the effort as in the past.

Competition is all year round

We will be making a fatal mistake if we assume that once we are at the top, we will always stay on top. Competition is all year round. Every year is a new tournament. Having the best airport, the best seaport, the best work force, and a high per capita income does not mean that we will not be beaten for these honours in the next round.

Look at the competitions in the Olympics. You can win a gold medal in Seoul in 1988 but you can be out of the finals in Barcelona. Or look at the semi-pro football tournament at home. You can be competing in the semi-finals or in the finals last year but this year you are struggling to be in First Division.

Let our economy not be relegated to the Second Division. We may not be the champion, but we should at least be competing in the First Division, and better still, amongst the top teams.

Countries compete furiously for investments, tourists, markets, talent, and economic growth. The trend towards globalisation of companies means that they can move in and out of a country easily. They will locate in countries which give them the sharpest competitive edge and the best terms.

To understand what globalisation means to you, look again at the semi-pro football tournament. If you buy the right foreign players, your team will be at the top of the league. If you don't pay them well, they will join another team and try to knock you out in the tournament. Even your own local talent will leave you for better terms elsewhere. Likewise, international companies and multi-nationals will move to where the competitive terms are best.

The establishment of the Single European Market at the end of 1992, and the agreement for the North American Free Trade Agreement (NAFTA) in August, will adversely affect ASEAN economies. These markets may become less accessible than in the past because of protectionist pressures.

Now that Mexico is in NAFTA, it will become more competitive, and attract more foreign investments. This will be at the expense of ASEAN and the NIEs. This means that we have to strengthen our competitiveness.

President George Bush at a press conference this week when commenting on NAFTA said:

> "The Cold War is over. The principal challenge now facing the United States is to compete in a rapidly expanding global market place".

"Competition" is the key challenge for countries in future — competition for investments, for markets, and for a higher standard of living for their own people. It is so for the US, the NIEs and has to be so for Singapore.

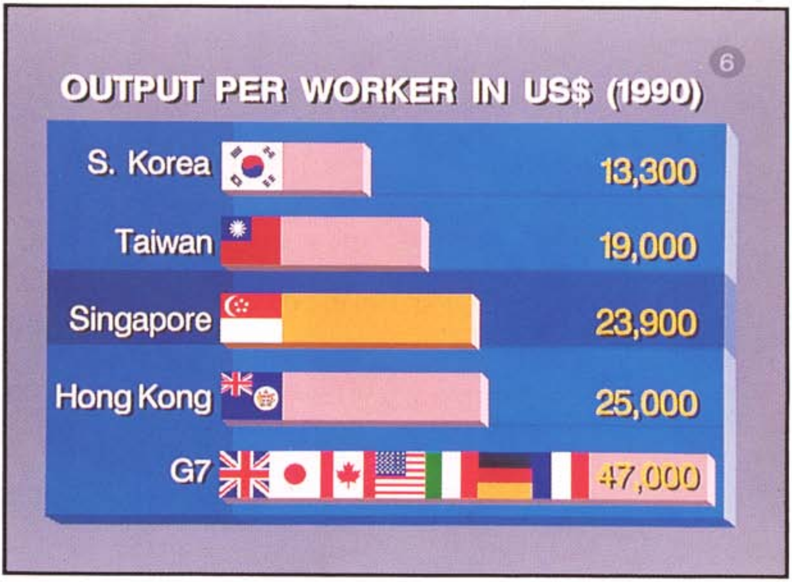
NEED TO STAY COMPETITIVE

Key challenge: stay competitive

The challenge ahead of us is whether we can stay competitive as our economy matures, like the Japanese have done. If we can, then we always create new resources. With resources, we can solve our problems — housing, better schools, more hospital beds for an ageing population, and more roads to take in more cars. If we cannot, we will rapidly decline. Not only will problems not be solved, but they will compound themselves. The key to this competitiveness goes back to productivity.

Productivity

While international consultants like BERI have rated our



workforce as one of the best in the world, we must realise that the productivity of our workers lags behind those of developed countries.

Soon, we will not be competing as an NIE but as a developed economy. We have to raise our productivity to stay competitive as a developed country. Our worker must produce goods or services worth more than others elsewhere for every dollar paid to him. How does our output per worker compare with other countries?

Chart 6 shows that Singapore's output per worker is ahead of South Korea and Taiwan and similar to Hong Kong's, but it is only half that of the G7 countries (US, Japan, Germany, France, Britain, Italy, Canada).

This shows that while our per capita income may be near that of a developed country's, our productivity per worker is far behind.

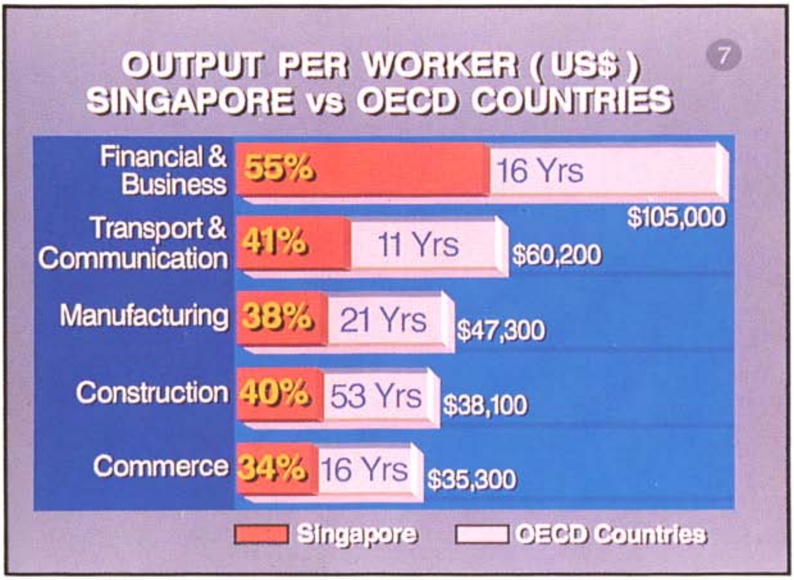
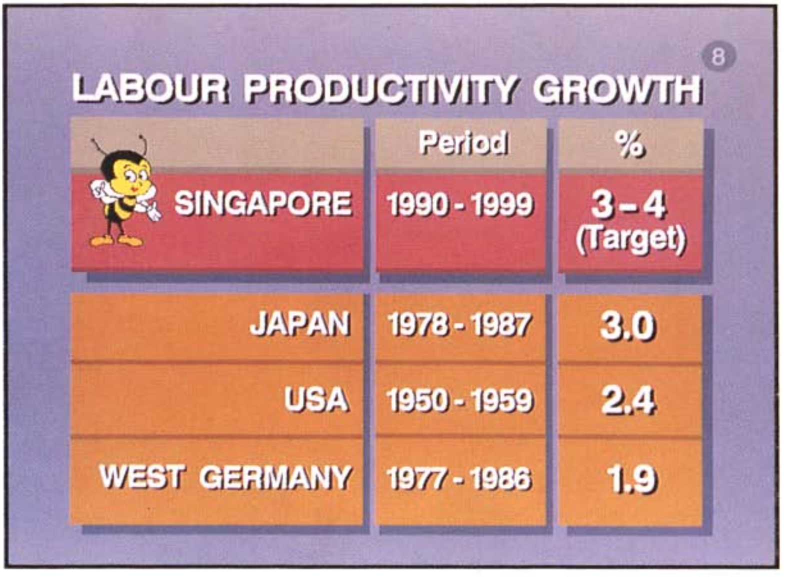


Chart 7 shows how far behind we are against the most productive OECD country in each sector (in 1987). It assumes that our future productivity growth equals that during the period 1986-91. For example, the assumed productivity growth for manufacturing is 3.5 per cent. It will take us 21 years to reach the productivity level of the best OECD country, in this case Japan. This is a long way for us to go before we catch up with the best in the world.

In the construction sector, we have achieved only 0.25 per cent of the level of the best OECD country in terms of productivity, which is Japan. The output per worker for Japan is US$38,000. Ours is only 40 per cent of that. And our present productivity rate is only 1.4 per cent. If we grow at 1.4 per cent per year, it would take us half a century to achieve the output per worker of the Japanese. That is how far behind we are when we compare ourselves with what we call the 'First Division'.

We may have the most competitive economy amongst the NIEs, but our output per worker is still way below that of the most productive developed countries. So, if we can increase our output per worker to that prevailing in developed countries, wages and salaries can likewise rise.

How fast can our productivity grow?



Let's look at Chart 8 and compare Singapore's experience with the experience of other countries at stages of development which we will be in 1999. For Japan, it was during the period 1978-87 when its productivity growth was 3 per cent. We are aiming for 4 per cent productivity growth, which is higher than what Japan achieved in the 1980s.

Can we grow at 4 per cent when Japan only managed to grow at 3 per cent per annum during that period? That is a tough question. Three per cent is possible, but 4 per cent, I think, is a bit tough. But let's make a big effort to achieve it.

WELFARE - THE FAILED ALTERNATIVE

Welfarism - New Zealand

Many countries have tried to avoid this arduous upward climb. Their governments promised their people the good life, without telling them that they must work hard for it.

Their solution was state welfare and subsidies. It has failed all over the world, and ruined many developed countries. Singaporeans must avoid subsidies and welfare.

See what welfarism has done to a rich and successful country like New Zealand. New Zealand's population is 3.4 million, about the same as Singapore. But New Zealand has more resources than Singapore. It has 3 million people; 30 million sheep; cows; horses; deer; timber; mountains; and lakes. It has a beautiful weather, plenty of land, and is a great place for tourism. New Zealand is a popular holiday destination for Singaporeans.

In 1966, New Zealand was the fifth richest country in the world. Unfortunately, its varied welfare programmes increase the people's dependency on the country and eroded their competitiveness. Today, New Zealand's ranking has fallen to 19th.

An example of a well-meaning scheme that increases dependency is the Domestic Purposes Benefit (DPB) programme, which was meant to help unwed mothers and those whose marriages have broken down. The programme started with 4,000 recipients in 1973. Today, it has ballooned to 100,000. This is more than the total number of households in Toa Payoh and Ang Mo Kio. And remember, New Zealand's population is about the same size as Singapore's.

What is the moral of New Zealand's experience? Let me quote from their Minister of Social Welfare, the Hon. Jenny Shipley, someone who can speak with authority. In a lecture at the Massey University on 3 July 1992, she said:

> "We have developed an attitude that no matter what happens the state will provide. It has sapped our will to be responsible for ourselves and reduced us to moral and material poverty....
>
> The welfare state ... produces young illiterates, juvenile delinquents, alcoholics, substance abusers, drug addicts, and rejected people at an accelerating speed. The fundamental problem is that we are in our own way creating a society where many individual people no longer feel a cohesive purpose, or responsibility to themselves or others. "

She then went on to draw lessons from the Swedish Welfare State and concluded:

> "Given the accumulating evidence in my view, it is true to conclude that both the New Zealand and the Swedish Welfare State are anything but the utopias their creators had envisaged. "

Germany

Even Germany is questioning its generous welfare system. Chancellor Kohl wrote an article in *Die Bank* magazine, reported in the *Straits Times* (4 Aug 1992). He said:

> "Germany must restructure welfare benefits so they do not undermine the incentive to work. Its international competitiveness has been eroded by generous working conditions .... Social security at the high German level can only be guaranteed if our economy remains competitive."

The German economy is the most successful after Japan. But it is making slower progress than Japan for some 10 years now because of excessive welfare subsidies. Chancellor Kohl now has proposed that Germans pay more for their public healthcare system. To cut down malingering, he has proposed that workers who take sick leave should not be paid on their first day of illness.

The real lesson is clear for all to learn that the more the subsidies and the welfare, the lower the competitiveness of the workers. That is what has slowed down the New Zealanders. Now the Germans are feeling it.

Never reduce incentive to work

We must never reduce the incentive for people to work their best to out-perform other workers. Otherwise, we will never make it to being a developed country.

On 17 July 1992, Dr Mahathir was at Trengganu to open a sheep farm there. He has introduced sheep-rearing to the rural folks to improve their income. He said that the Government will not seek popularity by distributing its wealth to the *rakyat* blindly as "such action will make them lazy and weak".

He said that people must work hard and think of various income-generating opportunities to achieve success in life and become respected citizens by others.

The Malaysians have oil and gas, yet Mahathir is against wealth distribution to the Bumiputras. We do not have any wealth from natural resources to distribute. If we distribute our surpluses and reserves, we will be ruined. Your CPF savings which are in Singapore dollar will be devalued because we will have no solid backing for it.

We must never reduce the incentive for Singaporeans to excel and upgrade themselves. This spirit to constantly improve ourselves must be ingrained in our people.

INDIVIDUAL RIVALRY — THE HONG KONG APPROACH

One economy which has remained highly competitive is Hong Kong. In Hong Kong, competition is based on individual effort and reward. Its safety nets are kept to the bare essentials — some subsidised public housing for only 40 per cent of the population, and some subsidised medical care. But there is no CPF or Medisave for the people.

As a result, the Hong Kong people have tremendous drive and are very competitive. They work hard as entrepreneurs, manufacturers, property developers, professionals, craftsmen and workers, especially in construction. They innovate and compete fiercely for markets. As a result, their economy is vibrant and resilient. No Hong Kong government worries that its economy will collapse. No Hong Konger blames the government if he does not do well. He knows he has to seize the opportunities out there and he deserves what he puts in.

WINNING AS A TEAM — THE SINGAPORE APPROACH

Singapore cannot be a Hong Kong. In Hong Kong, it is every man for himself because they do not need to have the common will to defend Hong Kong; it is the United Kingdom and later the Peoples' Republic of China that will defend them.

Singapore has to defend itself, being a nation with a sense of common identity and a shared destiny.

Singaporeans cannot just compete as individuals as in Hong Kong, but must also compete as a Singapore team. Our main competitors are outside Singapore. We have to be competitive as individuals, as well as a team because the competition is outside Singapore and it is Singapore versus other countries or Singapore versus the rest of the world in the economic field.

We therefore need to balance ourselves somewhere between Hong Kong's individualism and New Zealand's group welfarism. Our balance must achieve the following 4 main objectives:

- Encourage enterprise and self-reliance;
- Provide affordable housing, health and education;
- Develop high quality education;
- Build up individual and group assets.

Encourage enterprise

To encourage enterprise, we must give incentives for people to strive and venture. The best incentive is a good pay cheque and light taxes, especially direct taxes.

We will maintain the present policy of rewarding workers according to performance and letting them keep as much as possible of their income. This is to avoid dampening the motive to work. People must decide how to spend their money, rather than the Government deciding for them through programmes and services funded by heavy taxes.

Singaporeans pay relatively low personal income tax, as illustrated in Chart 9. Singapore's starting tax rate is 3 per cent. The next lowest is 15 per cent for Japan, 15 per cent for the US, 24 per cent for New Zealand, 25 per cent for the UK, 28 per cent for Canada, and 30 per cent for Sweden.

These countries have very high starting tax rates, because they need the income to fund their welfare programmes. So the people have no choice but to pay 30 per cent for tax right

away. Those who work much more, pay a much higher rate, and the government decides how to spend the money for them. That is not the road we want to take. We want to impose light taxes on you and you decide how you want to spend your disposable income. Our tax rate is not only low, but about half of those who pay tax, that is 500,000 people, pay less than $150 per year.

Affordable basic amenities

Although we are against subsidies as a matter of principle, we will continue to provide substantial subsidies in three basic areas:

- *Housing,* because home ownership gives every citizen a stake in the country and makes for a more stable society.

- *Health*, because it is the foundation for a full and productive life for each one of us.
- *Education*, because it makes our people productive and competitive.

We will make sure these always remain affordable. In addition, rental housing, Medishield and Medifund, and bursaries will provide the safety nets for those who still cannot buy their own homes, or pay for basic healthcare, or their school and university fees, despite the substantial subsidies.

Develop high quality education

The future of Singapore depends on the knowledge, skills, and training of our people, that is, the quality of our education. It is the quality of the education which determines a people's competitiveness. If a child is not well-taught, if the teaching is not rigorous, if he is not competitive in school, it is unlikely that he will be able to compete for good-paying jobs when he leaves school.

Capital-intensive investments will raise our productivity. But other countries can do likewise. The difference in results springs from the different standards of education. Better educated and trained Singaporeans can maximise the use of the same machines than other people and our productivity will be higher. It goes back to education, to how we train our people, and how we get our children to excel in school.

Education is something special which we can give to our people. A good education system depends not only on resources, which the state will provide, but also on the following:

- Students competing to do well in schools;
- Schools competing against one another;
- Good schools emerging to show other schools how they can improve.

Competitive school system

Our school system has always been competitive. Pupils get tested regularly, and ranked in class. Admission to secondary schools is by PSLE results, to junior colleges and polytechnics by 'O' level results, and to universities by 'A' level results. As a result, everybody studies hard, and each year our examination results have improved.

Examinations may not be the only thing in life, but they are important. If a pupil fails to do well in school, even if he has other qualities to compensate for, he will find it much harder to succeed later in life. That is why I introduced scholarships into the Edusave scheme, to give incentives to the students to distinguish themselves academically. The prizes are not just for the top students throughout Singapore, but also for top students in each school, so that everyone can see that if he tries harder, he has a chance to receive an Edusave scholarship. It is to get people to treasure knowledge, to strive for knowledge, to compete and distinguish themselves academically.

This is the way schools in the East have always been run — in Korea, Japan, and Taiwan. In ancient China, students from all over the empire took the imperial examinations. When someone passed the examination, there was great rejoicing. The top student for the year, the *zhuang yuan*, sometimes got to marry the emperor's daughter.

But upholding academic excellence is being denigrated by liberals in the West. In some countries, the view has been that pupils should be left to develop at their own pace, without any pressure. According to this view, pupils should not be corrected when they do something wrong. Children do not have to be taught spelling, grammar or sentence structure because they will automatically discover these skills if left to themselves. Pupils who have done well should not be singled out for praise because that might discourage other pupils. And pupils who have not learnt a subject should not be failed, because that might discourage them.

When examinations show that some groups of students are doing better than the others, they blame the examinations for being biased, and solve the problem by abolishing the examinations. As a result, standards have gone down.

No one has ever won an Olympic Gold medal without the most rigorous training by coaches using proven and tested methods. If this is so for games, how can it be different for learning and scholarship?

Fortunately, we have not allowed our children to be weakened by this soft approach to life, despite western influences on our educators. Singapore has prospered because Singaporeans have set high standards of achievement for themselves and have pursued excellence vigorously. This ethos permeates all aspects of national life. Our social, economic, and educational systems have all been structured to encourage Singaporeans to compete with one another, and to reward those who work hard and do well.

Competition among schools

Parents want to know which schools are good so that they can choose the one most suitable for their children. Our strength has been the passion of our parents and students for learning and education.

Chart 10 shows the top 10 secondary schools in the Special/ Express streams. The independent schools, for example, RI, Chinese High School, and Singapore Chinese Girls' are well-known, but they are not the only good schools in Singapore.

There are other good government and government-aided schools — Dunman High, River Valley High, St Nicholas Girls', the SAP schools, and mission schools. The chart tells us that there are very good government and government-aided schools and that a school need not be an independent school to be a good school. We can be proud of our government schools. They are in the top 10.

Chart 11 shows the top 10 schools for the Normal stream.

Good schools are not only those which produce the best or most brilliant results. Those which take in average pupils but

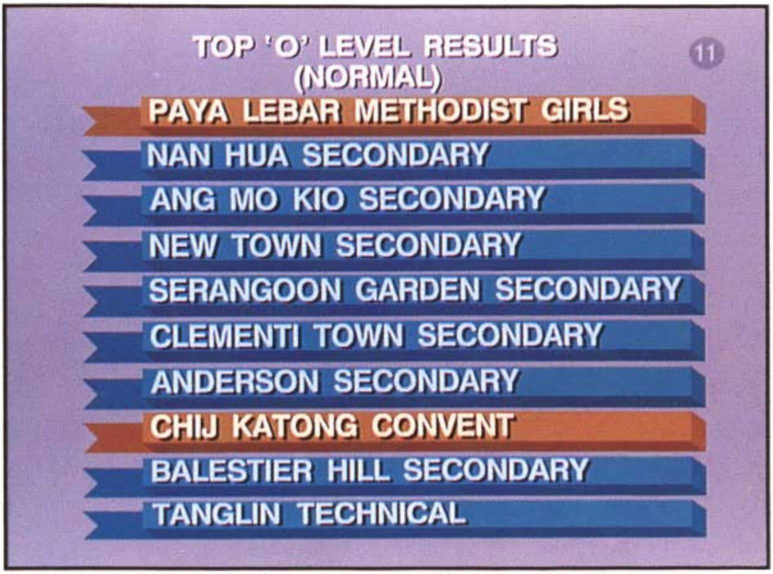
Note:

Red bar indicates an independent school; blue bar, a government school; and brown bar, a government-aided school. Asterisks indicate Special Assistance Plan (SAP) schools

produce good results at 'O' levels are also to be commended. I will regard these schools as good schools. They are what I would call effective value-added schools.

Chart 12 shows the top 10 effective value-added schools for the special and express streams. They include neighbourhood schools like Zhonghua and Buona Vista. They take in pupils from the neighbourhood and make a difference to their performance once they are in these schools. In each housing estate, neighbourhood schools are better than others and parents know it.

The quality of ECA and the school spirit are also important. Parents and pupils generally know from word of mouth which



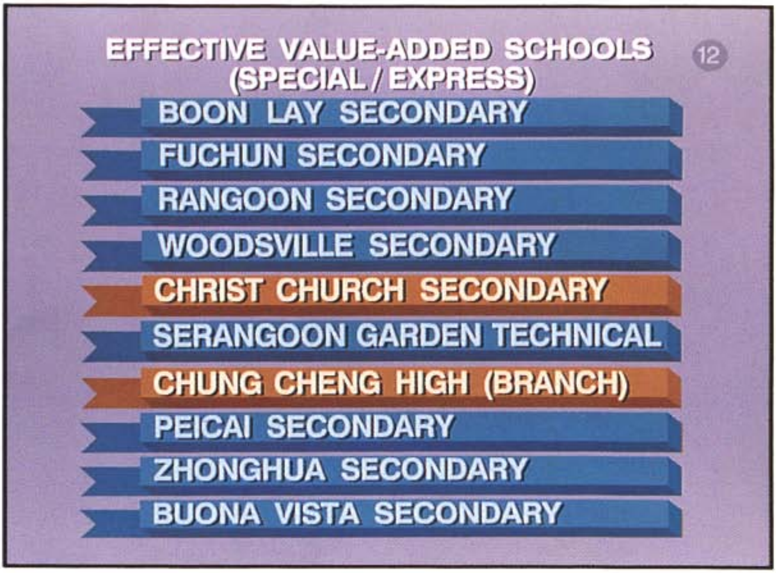
Note:

Blue bar indicates a government school and brown bar, a government-aided school

are the good schools. In each housing estate, some neighbourhood schools are better than others, and parents know it through the grapevine.

To help parents make informed decisions, we have decided to give them all the information — accurate and complete — about the strengths and weaknesses of individual schools.

I have asked the Ministry of Education to release the facts and figures of the top secondary schools, that is, those which do best in the 'O' level and 'N' level examinations. Parents can then make better decisions as to where to send their children. In this way, we encourage schools, principals, teachers and students to compete and excel in their different ways.



Note:

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Autonomous schools

Many pupils want to enter independent schools, but there are not enough places for all. We should help more schools to upgrade to become more like independent schools. I have asked the Ministry of Education to identify those with good school boards, principals and teachers, and give them more autonomy and resources. We will help them upgrade themselves and do a better job for their students. I have called such schools 'autonomous schools'.

To fund their extra activities, the government will give the autonomous schools a larger subsidy per pupil than other secondary schools. Pupils in autonomous schools will match this by paying moderately higher miscellaneous fees than other schools, but very much less than the fees of independent schools. With Edusave, all who can get into autonomous schools should be able to afford the fees. Within the next 2 years, we hope to have 4 to 6 autonomous schools, and within 10 years, 10 to 15 such schools.

Enlarging asset-ownership

Let me move on to the last feature of the Singapore approach on how we propose to share the fruits of our success. It is not all about productivity and competition.

Because we work as a team, when we succeed, every one must benefit. We aim to help Singaporeans build up their assets. When a person has assets his whole outlook changes: His future is more secure; he has a stake in life and can provide for his future and that of his family; and he becomes a more responsible citizen.

Singaporeans have built up their assets individually, through their personal savings, the CPF and HDB home ownership, and collectively, because the assets of the country are theirs. The Government is merely the trustee.

Unfortunately, because much of the assets held in common are looked after by the Government, Singaporeans do not feel the sense of ownership over their part of the assets. Thus, when the Government manages the budget well or accumulates surpluses, they feel aggrieved that the Government is making money at their expense.

We think we should change this attitude by studying ways to let Singaporeans have title or paper to some part of their assets. The aim is to let you build up your assets, by giving you title, and personal ownership of as many of these assets as is practical.

Every Singaporean will be better off in this assets-enlargement programme. I cannot promise that every Singaporean will become rich. But I can promise to make every Singaporean who completes 10 to 12 years of education, Middle-Class and Asset-Owning.

For most Singaporeans, his house or flat is his biggest single asset. We will spend up to $50,000 per flat to upgrade it, starting with the older flats.

We have started to sell HDB shops. In 5 years' time, Singapore will have a new class of shop-owners.

But we will go further. We will enlarge the share-owning class. At present, only about 14 per cent of adult Singaporeans own shares in publicly-listed companies. The British under Mrs Margaret Thatcher have managed to get 21 per cent of their adult population to own shares, through privatising electricity, gas, telecoms and other major utilities. In Japan, 27 per cent of its adult population own shares. We are targetting for 30 per cent of our adult population to own shares.

Singapore Telecom has been corporatised. Next year, we will sell its shares to Singaporeans at a discount, with suitable conditions to ensure that they hold these shares for a reasonable time instead of stagging them for immediate profit.

We will also set up a company to run the Electricity and Gas Departments of the Public Utilities Board. We cannot do this with the Water Department because that is too sensitive. Then we will sell shares, again at a discount, in the new utilities company which takes over the Electricity and Gas Departments.

The Mass Rapid Transit and Port of Singapore Authority will be corporatised and publicly listed. These are well-run profitable enterprises. Their shares will appreciate as long as Singapore continues to be stable and prosperous and good management is in charge of the companies.

For those now without assets, like those living in 1- or 2-room rental HDB flats, we will also find ways to help them own some assets, and to lighten their cost of living. For example, starting this year, we shall, when the economy is doing well, help pay for their Service & Conservancy charges. We will help them and their children to upgrade their training and skills through National Productivity Board and Vocational and Industrial Training Board courses. Then they can become middle-class.

GETTING DISTRACTED BY RISING COSTS

This Singapore approach of the winning team can deliver us higher productivity growth and higher standards of living. But we must not get distracted from our basic goal by short-term pre-occupation with domestic problems. Sometimes we are side-tracked into worrying over small details instead of the big picture. One example is the perception of rising costs.

Inflation low, Cost Review Committee

People tell me that they are concerned over rising costs, in particular, the high price of Certificates of Entitlement (COEs) and increasing medical costs.

I can understand the frustration over the high price of COEs and the anxiety over rising medical costs. But I cannot accept the charge that general costs have gone up sharply. We have one of the lowest inflation rates in the world.

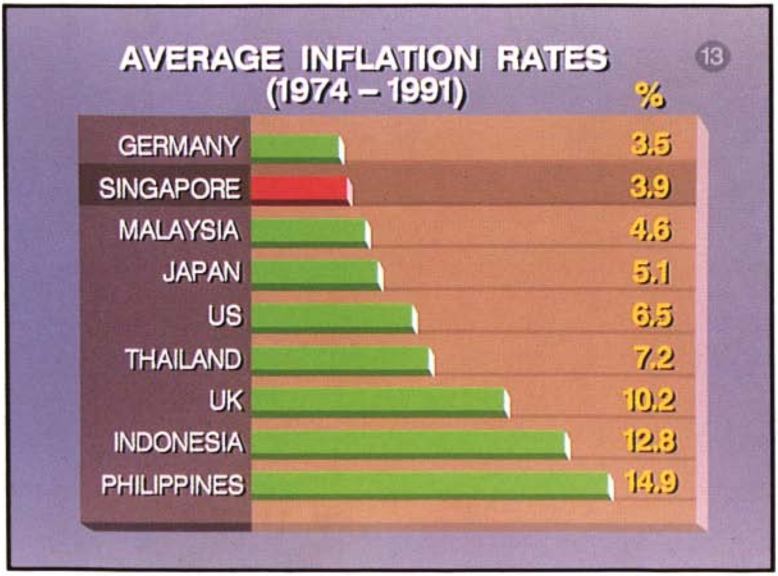


Chart 13 shows that between 1974 and 1991, our average inflation rate was 3.9 per cent. Only Germany had a lower inflation rate of 3.5 per cent. The other developed countries — US, UK, Japan — and ASEAN countries all had higher inflation rates. Our inflation rate of 3.4 per cent last year was much lower than the average wage increase of 8.1 per cent. This year's inflation rate is likely to be even lower — 2.5 per cent or below. Because of this, our currency kept on strengthening over the last 2 decades.

Our currency has gone up against most currencies, although it has gone down slightly in value compared to the German mark and the Japanese yen because these are very strong economies with very low inflation rate. But against other currencies we have appreciated very sharply.

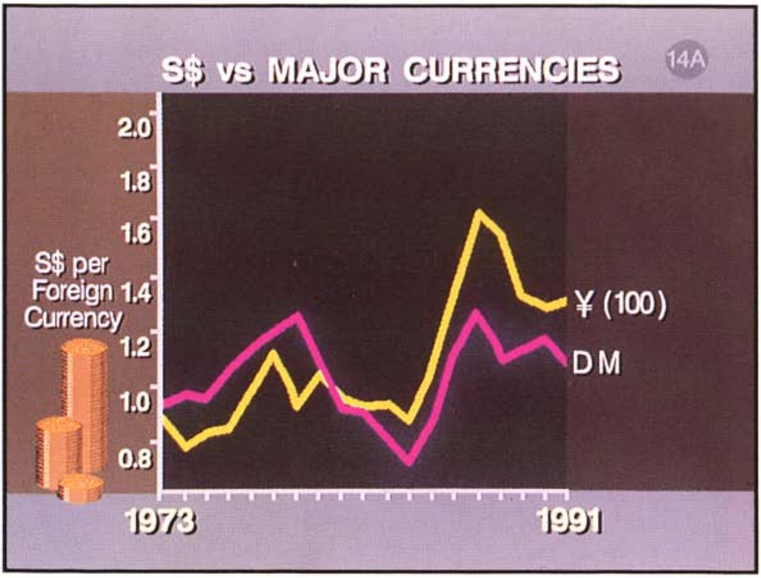
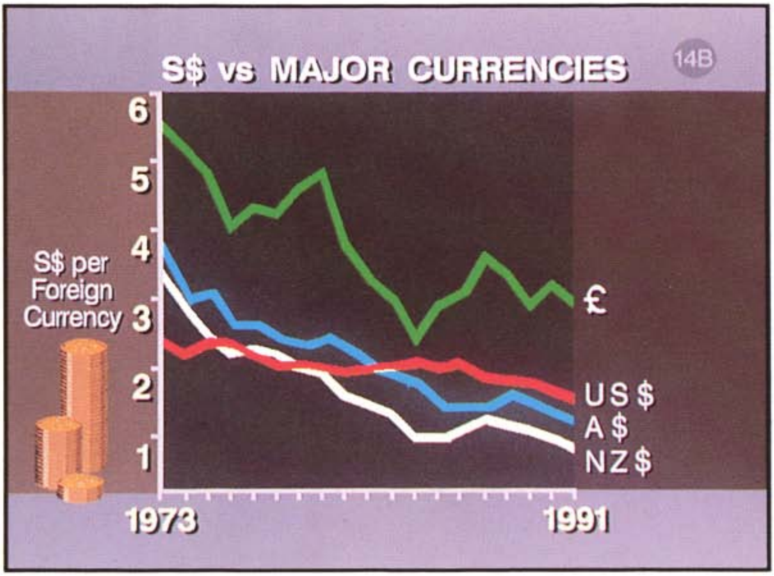


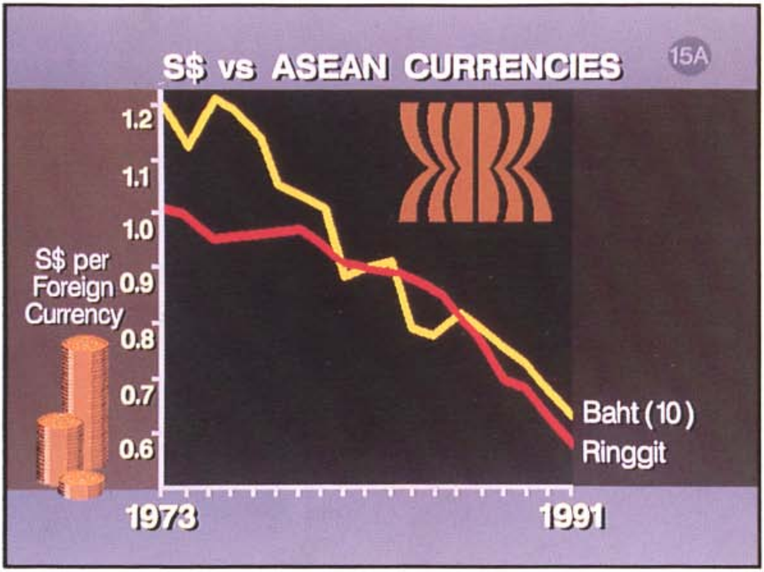
Chart 14A shows the Singapore dollar against Deutschemark and the Japanese yen. In 1991, we have to pay more to buy Japanese yen and Deutschemark. But not very much more.



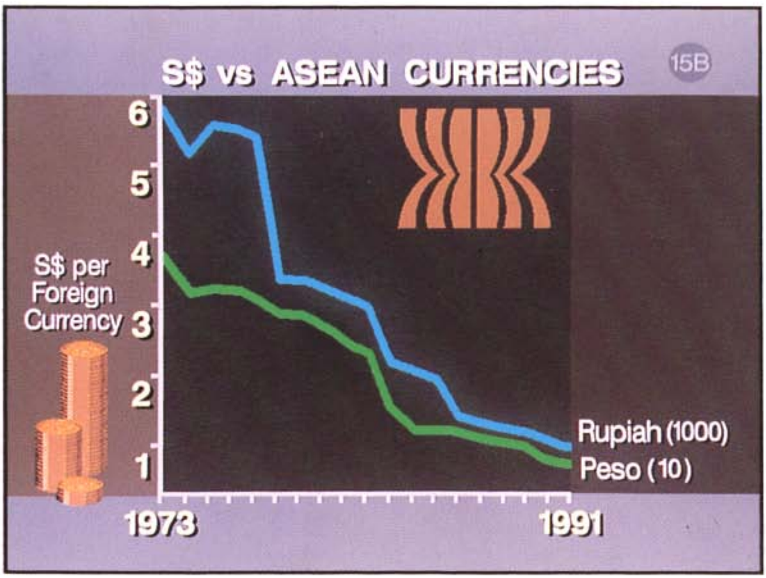
From Chart 14B, you can see that we pay less than or nearly S$6 for 1 British pound in 1973. Today, we need to pay only about S$3 to buy 1 British pound. As for the US dollar in 1973, about S$2.7 to US$1. Today, it's way below $2 per US dollar. The New Zealand dollar has depreciated as compared to the Singapore dollar. Nearly S$4 in 1973 to NZ$1. Today it's about 88 cents or so to NZ$1. That's why it is so cheap to go for holidays in New Zealand.

Now let's look at our currency rates against some regional currencies. Charts 15A and 15B are self explanatory. You can see how strong the Singapore dollar is as against the Thai baht, the Malaysian ringgit, the Indonesian rupiah and the Philippine peso.

We got to make sure that our currency remains strong. And for that we need to be competitive, productive and continue with good economic growth, because a weaker currency will lead to higher inflation. We have to import our consumer goods and a weaker dollar would mean importing goods at higher costs. If we don't manage our system well in Singapore



S$ vs ASEAN CURRENCIES
15A
S$ per Foreign Currency
1.2
1.1
1.0
0.9
0.8
0.7
0.6
Baht (10)
Ringgit
1973
1991



S$ vs ASEAN CURRENCIES
15B
S$ per Foreign Currency
6
5
4
3
2
1
Rupiah (1000)
Peso (10)
1973
1991

and there is high inflation, we will weaken our currency. So, you can see that we have managed the economy well — our currency is strong and our inflation rate is low.

Some people claim that costs have gone up more than what the inflation rate calculated by the Department of Statistics shows. This cannot be. We do not cook our figures. It discredits us and will make investors and bankers lose confidence in all the statistics we publish. I want to clear up this wrong perception and establish the facts. Let us settle the matter in the open. Let those who believe that our Cost of Living formula is not correct show us how they would change the method to calculate the correct figures.

I am setting up a Cost Review Committee under Lim Boon Heng, Senior Minister of State, Ministry of Trade and Industry, to look into the question of rising costs. The Committee will include members from a wide spectrum of society — economists, trade unionists, community leaders and employers. It will examine the rate of cost increases to see which areas have gone up. It will study why the public perceptions are so different from the actual figures, and recommend measures to give the public hard facts which will assure them that cost increases are proper and have been checked. It will also study whether wages have gone up faster or slower than costs for the different income groups — the middle-income as well as the lower-income Singaporeans. The Committee will pay particular attention to business costs to ensure that Singapore remains competitive.

HEALTH COSTS

Health costs is another issue which may bog us down, preventing us from focusing on the bigger problem of creating economic growth through being competitive.

In April 1991, we set up a Review Committee on National Health Policies under Aline Wong. Her Committee recommended ways to assure Singaporeans of affordable high quality health care by promoting healthy lifestyles, raising the Medisave contribution rate, setting definite subsidy levels for the different classes of wards, and controlling the supply of doctors and specialists. The Cabinet accepted Aline Wong's report.

I then set up a Ministerial Committee comprising Lee Hsien Loong, Yeo Cheow Tong, Dhanabalan, Lee Boon Yang, Aline Wong and several other Ministers of State to work out how to implement Aline Wong's proposals, and especially how to prevent healthcare costs from escalating out of control. The Committee met several times and concluded that healthcare cannot be managed solely by relying on market forces of supply and demand.

While we have to make use of market forces as far as possible so that patients will only use medical services when they really need them, and doctors will have incentives to provide good and economical healthcare, we must regulate supply and demand directly.

We need to control the number of doctors we train, or we will have too many doctors. They will then either create work by performing more tests and treatments, or worse, emigrate.

The Ministry of Health needs to oversee key aspects of the operation of restructured hospitals, for example the proportion of beds that is subsidised and the amounts they may charge.

This is the only way to make sure that doctors and hospitals do not give patients more treatment, tests and drugs than they really need and simply pass the higher cost along to the government and the patients.

The Committee should complete its work within a few months. When the Cabinet has approved its report, we will publish a Green Paper outlining the Government's approach to containing healthcare costs.

Everyone will know the direction we are moving towards. This is an important matter for everyone and we will take care that everyone can get good basic health services with his Medisave, helped by Medifund.

COE and road traffic problem

The high price of COEs is also diverting attention from our main challenge. This has happened because of success — successive years of affluence has led to higher expectations. Many feel that a car is their basic need, essential to their lifestyle. They assume that the economy will continue to grow at a fast pace. I do not. To grow at 4 per cent to 6 per cent over the next 10 years, we must work at our competitiveness. If we forget this, there will not be that extra income to buy cars. Then the problem of high COEs will solve itself.

I want to meet the aspirations of new car owners. I will do what I can to increase the numbers who can own cars. But remember, Singapore is a small country. We just cannot satisfy all who want to own cars. We have solved house ownership for all by going high rise, thus by-passing our small land area. But there are limits to multi-storey roads.

Our roads are like our arteries: they carry blood to our vital organs. Our cars are like the cholesterol in the blood. You need cholesterol for proper functioning of the body, but too much is not good for you because it clogs up your arteries. If there is a blockage, you may die of a heart attack. You need cholesterol, but you need to watch the level.

We simply must keep our roads free of congestion. If traffic congestion does not affect our economy, I would scrap the Quota System and let Singaporeans enjoy their cars and traffic jams for breakfast. But if our whole economy suffers because of traffic jams, we cannot afford it.

We cannot afford the kind of congestion that Bangkok, Jakarta, or Kuala Lumpur may have. In Indonesia or Malaysia, the capital does not contribute more than 13 per cent of their countries' GDP. Even in Thailand, Bangkok does not contribute more than one-third. In Singapore, the city is the whole economy. If our city is jammed, our productivity and competitiveness will suffer.

BANGKOK

Let me illustrate this problem with Bangkok as an example. Last year, Thailand hosted the World Bank/International

Monetary Fund meetings. Some 10,000 delegates from 154 countries attended the conference. The Thai Government had to declare two special holidays to ensure that conference delegates did not miss their meetings because of traffic jams.

Imagine the loss to the country from the two-day work stoppage. Singapore wants to be a convention centre and we have held big scale meetings — over 7,000 delegates at a time.

If our roads are clogged up, we will not succeed as a convention centre. I am not sure declaring special holidays will help in our case because the weekend cars may take over the roads.

Early this month, Bangkok was in a gridlock because of heavy rain plus a lot of cars on the road. The average commuting time was 5 hours. Some children were stranded in schools until past midnight. The international airport was in turmoil. A Japan Airlines flight was held up for more than two hours because the pilot and his crew were stuck in a traffic jam. The situation was so bad that motorists were advised to carry food, water and even toilet bowls with them.

Because of the huge economic costs of traffic jams, we have to limit cars by a Vehicle Quota System.

Scope for more cars

But do not be discouraged. There is scope for more cars on our roads. We will build more by-passes, underpasses, overpasses, roads and tunnels. We will do all that is technically possible to increase our road capacity to the maximum without traffic jams.

Between May 1990 and March 1992, we spent $500 million on road works and traffic control. From April 1992 to March 1997, that is over 5 fiscal years, we will be spending a total of $2.9 billion on roadworks, and $1.4 billion on MRT extension and the Electronic Road Pricing (ERP), making a total of $4.3 billion. The collection from COE averages $650 million per year at current rate. It will take about 7 years of revenue collection from COEs to pay for these additional works.

Also, we are likely to spend about $4 billion for a new around-the-city-centre tunnel system. The feasibility study is being carried out. The tunnels will increase our road capacity in the city by 40 per cent. It will take 6 years of revenue collection from COEs to pay for these tunnels.

At the same time, we are taking every measure to improve public transport. Good public transport will reduce congestion on our roads. Without the Vehicle Quota System, buses, taxis, lorries, prime-movers and pick-up trucks will be slowed down.

We are examining measures like controlling road usage directly, so that we can have more car ownership. Owning a car does not cause traffic congestion. Using it does. If we can have a system so that owners do not use their cars at the same peak times and cause traffic jams, we will increase the COE quota. And that should help keep the COE price down.

Our Area Licensing Scheme (ALS) has successfully kept the Central Business District free of traffic jams during the morning and evening peak hours.

The Ministry of Communications (MinComms) is settling tenders for an ERP system. We expect to implement the ERP in 5 years' time. This is an automatic ALS spread over all key roads that get jammed up. We can vary charges for different roads to meet different traffic conditions. The ERP can be as effective as the ALS, and will make more COEs possible.

Singaporeans hoping to own cars will say that waiting 5 years is a long time. I have asked MinComms to consider Manual Road Pricing (MRP) and not wait until ERP is ready. MRP can operate like a non-electronic ERP, using people to check that cars have displayed special licence discs. If this manual method is practical we may save a few years.

The whole idea is not to collect more revenue. It is to control usage so that there will be no traffic jams on the road and the number of COEs can be increased.

We want to enable more Singaporeans to own cars. Our situation isn't that very bad if we compare ourselves with Hong Kong. In 1980, there was one car for every 15 persons. In comparison, Hong Kong in 1989 has 1 car for every 34 persons. In 1990, our ratio has dropped to 1 car for every 10 persons. We estimate that for the year 2000, based on current trends, there can be one car for every 7 persons. This means that every other household will own a car.

Refine COE system

Meanwhile we want to refine the COE system. Some people have suggested that we change the current system where the COEs are sold at the lowest successful price to a "pay-as-you-bid" system. MinComms is still studying the idea. They have pointed out that with the "pay-as-you-bid" system, the Government may end up collecting more money than now, especially from people who bid too high because they do not know the COE market well enough.

Car dealers will not have this problem, because they know the market well, and can judge accurately the going rate for COEs. MinComms' data show that bids submitted through dealers tend to be close to the actual tender prices. But the spread of bids from individuals is wider. Individuals are less familiar with the market than the car dealers. They need a COE only once in a long time, and do not know how much exactly to bid. These individual car buyers will be penalised by the "pay-as-you-bid" system. If they bid high, they will pay too much; but if they bid low they will not get a COE.

Provided you do not accuse us of being a 'Pay and Pay' government, and provided MinComms is satisfied that the "pay-as-you-bid" scheme is workable, I am willing to consider trying it out. But to be honest, I do not think it will bring COE prices down.

I have also received proposals for a shorter-term COE for 10-year old cars. I sympathise with the older people who own older cars. Many of them feel forced to give up their cars because they cannot pay the prevailing quota premium for 10 years. They argue that their old cars have to pay various surcharges and will not last 10 years anyway. I don't like them to feel forced that they are compelled to give up their cars because they cannot pay the prevailing quota premium for 10 years. So, MinComms is looking into this to see whether they can offer a shorter-term COE for 10-year old cars.

Taxis are subject to a statutory life span of 7 years. The validity period of a COE is 10 years. NTUC Comfort and taxi-drivers have requested that taxis pay only 70 per cent of the relevant COE premium upfront instead of being given a 3-year pro-rated rebate at the end of 7 years. This is reasonable. I think MinComms should have no difficulty meeting this request of NTUC Comfort and taxi-drivers.

Right now MinComms is working on fine-tuning and improving the Quota System. They will give me their recommendations by October.

Whether it is healthcare or COEs, the issue of cost increases cannot be solved by welfare and subsidies. It can only be solved through greater productivity and being competitive, that is, through income rising faster than costs.

Relations with Malaysia

Apart from cost increases, I should mention one other issue which must not fluster us — flurries in Singapore-Malaysia relations.

Singapore-Malaysia relations appeared to be going sour earlier this year over Johor motorcycles coming to Singapore. This led to other issues. But Dr Mahathir and I were able to pick up the telephone and speak to one another. We have been able to keep these problems in proportion against the larger perspective of long term co-operation and benefits for both sides.

Both have much to gain from continuing co-operation and competition. Petty politicking by either side will be costly in lost investments and slower growth.

CONCLUSION

Finally, let me ask you to keep your eyes on the big picture. Look at the total picture, in depth and in 3-D.

Singapore's basic problem is to stay ahead in the competition. The race for a place in First Division — Advanced status. It is not costs of COEs and hospital charges — that will knock us off course. Such problems can be substantially solved provided we keep competitive and continue economic growth.

As long as we are competitive and adding to our assets, we can solve our problems — COEs, education, health, housing — and build new facilities such as road tunnels, better schools and polytechnics, new hospitals, new towns like Pasir Ris and Bishan, country clubs, and concert halls.

Every problem that is capable of a solution we will solve. That is our strength. That is the meaning of being competitive.

When I said to you that we would achieve Vision 1999 eight years ago, some people thought this was empty talk and mere political promises. I never promised that the vision of a 'City of Excellence and a Society of Distinction' was going to just materialise as a matter of course. Eight years have passed. We are nearly half way to achieving that vision. Life in Singapore has changed for the better.

The rest of the way will be tougher because we have now entered the competition in the super league. But remember: We are Singaporeans. We have come this far on nothing and we will go much further when we pull together. So, keep your sights on what is before us. Put in your best to stay ahead. Together, we shall become a developed country, a City of Excellence, a Society of Distinction.

Good Night and Happy National Day.